



COLOMBIA AGRIBUSINESS PARTNERSHIP PROGRAM

THIRD QUARTER REPORT APRIL TO JUNE, 2004

Submitted:
JULY, 2004

Submitted to:

Deliverable c.4.(b)(17)

USAID/Colombia

Bogotá, Colombia

Under USAID Contract No. PCE-I-00-99-00001-00 T.O. #820



Report Prepared for the United States Agency
for International Development

**Colombia Agribusiness
Partnership Program**

**Third Quarter Report
FY '04**

July 2004

Work Order No. 820
“Rural and Agricultural Incomes with a Sustainable Environment (RAISE) IQC”
USAID Contract No. PCE-I-00-99-00001-00



Table of Contents

Table of Contents	i
Acronyms	iii
1.0 Executive Summary	1
2.0 Background.....	2
3.0 Proposal Development and Project Implementation Processes Overview.....	2
4.0 Significant Accomplishments during the Second Quarter	3
4.1 Overview	3
4.2 Proposals Received	4
4.3 Proposal and Project Development Results	4
4.3.1 Screening	4
4.3.2 Assessment	7
4.3.3 Development.....	8
4.3.4 Implementation.....	9
4.3.4.1 Expanded Description of Projects Passed Into Implementation	10
4.4 Status of Proposal Development at End of the Second Quarter.....	12
4.5 Program Extension.....	13
4.6 New Plan Colombia Projects Planning	13
4.7 Program Management and Support	14
4.7.1 Organizational Restructuring.....	14
4.7.2 Processes Enhancements.....	15
4.8 Progress vs. Work Plan.....	15
4.9 Accomplishments and Contratiempos by Department.....	16
4.9.1 Most Significant Accomplishments during the Quarter.....	16
4.9.1.1 Finance	16
4.9.1.2 Agribusiness	17
4.9.1.3 Task Force 2	17
4.9.1.4 Task Force 1	18
4.9.1.5 Compliance.....	18
4.9.1.6 M&E.....	19
4.9.1.7 Environment	19
4.9.2 Contratiempos Identified and Resolved.....	20
5.0 Key Contratiempos and Constraints.....	21
5.1 Contratiempos to be Resolved by Department	21
5.1.1 Contratiempos that still need to be Resolved.....	21
5.1.1.1 Finance	21
5.1.1.2 Agribusiness	21
5.1.1.3 Task Force 2	21
5.1.1.4 Task Force 1	21
5.1.1.5 Compliance.....	21
5.1.1.6 M&E.....	21
5.1.2 Constraints.....	21
5.1.2.1 Long Term CAPP Slot for the Compliance Adviusor	21
5.1.2.2 Ability to Sign Agreements Directly with Customers that are also Service Suppliers	21
5.1.2.3 Complexity of Services Contracting, Grant Making and Full Cost Control vs. Speed of Proposal Development and Implementation.....	21
5.1.2.4 Early Expenditures for Proposals with Incomplete Agreements	21
6.0 Contract Modifications, Amendments and Reporting.....	24
7.0 Key Activities Planned for Next Quarter.....	24
7.1 Launching of Projects	24
7.2 Proposal Development Expectations	25
7.2.1 Screening	25
7.2.2 Assessment	25
7.2.3 Development.....	25
7.2.4 Implementation.....	25

7.2.5	Status of Proposal Development at the End of the Third Quarter.....	26
7.3	Other Fourth Quarter Activities	28
7.3.1	Finance.....	27
7.3.2	Agribusiness	27
7.3.3	Task Force 2	28
7.3.4	Task Force 1	28
7.3.5	Compliance	28
7.3.6	M&E	28
7.3.7	Environment	28
8.0	Financial Information.....	30
8.1	Cash Flow Report	30
8.2	Project Implementation Financial Projections	30
8.2.1	Grant and Subcontract Obligations	30
8.2.2	Grant and Subcontract Cash Flow	31
9.0	Progress Toward SO2 Goals	32
9.1	Realized Impact on Key Indicators.....	32
9.2	Anticipated Impacts on Key Indicators.....	33
9.2.1	Projects Currently in Implementation	33
9.2.2	Projects Anticipated to be in Implementation by the end of the Third Quarter	33
Appendix 1	1
	Proposal Status Report.....	1
Appendix 2	10
	Projections of Departments and Municipalities Benefited	10
Appendix 3	10
	Overview of Projects Previously Passed Into Implementation	10

Acronyms

APS	Annual Program Statement
ARD	Associates in Rural Development, Inc.
CAPP	Colombia Agribusiness Partnership Program
CCN	Cooperating Country National
DCA	Development Credit Authority
IR	Intermediate Result
MOU	Memorandum of Understanding
RBP	Request for Business Plans
SO2	Strategic Objective #2
TBD	To Be Determined
USAID	United States Agency for International Development
LOP	Life of Program

1.0 Executive Summary

CAPP's objective is to help Colombian private sector customers develop and sustainably implement large, agribusiness projects that provide an alternative source of licit family income and develop a substantial quantity of new hectares of licit crops in geographic areas susceptible to illicit production. CAPP is being implemented through a five-year, US\$38 million USAID/Colombia contract with Associates in Rural Development, Inc. (ARD) of Burlington, Vermont, USA.

The process CAPP uses to efficiently and effectively assess and develop proposals starts with a potential customer responding to the CAPP Annual Program Statement (APS)/Request for Business Plans (RBP). Concept papers and proposals received are then guided through a four-step process - Screening, Assessment, Development, and Implementation. Before a proposal can pass into the next stage in the process, the Review Committee must approve it. The Review Committee is composed of USAID and CAPP senior staff, and uses pre-established criteria to evaluate each proposal.

As of 30 June 2004, CAPP had received 128 proposals of which all have been screened, 3 are in Assessment, 22 are in Development, and 12 had been passed into Implementation by the Review Committee. The 12 Projects passed into Implementation involve cotton, fruit, African palm, cacao, fique and chili peppers, will require \$4.6 million (or 9.8%) in CAPP support out of a total investment of \$46.3 million, will result in the planting of 18,050 hectares of new land in or near where coca is currently grown, will positively benefit 7,851 families and create 2.1 million new workdays.

CAPP's anticipated average percentage contribution to the total cost of proposals and potential Projects currently in Assessment, Development, and Implementation is anticipated to be 12.2%. Therefore, a potential CAPP investment of \$26.4 million would stimulate total new investments of \$215.5 million in new or expanded agriculture/agribusiness Projects located in or near areas where illicit crops are grown. This represents excellent leveraging of CAPP/USAID resources.

During the Third Quarter the Senior Technical Advisor, Jim Maxwell, functioned as Acting CoP, the search for a new CoP was completed and USAID approval for the identified candidate, Gordon Kunde, was requested. Aggressive development of the ten challenging Plan Colombia proposals resulted in very good progress moving them toward the point where they can be signed. Priority non-Plan Colombia projects were also progressed, and two projects were passed into Implementation by the Review Committee. CAPP completed important organizational restructuring, processes refinement and enhancement, functional responsibility clarification, and agreement enhancement activities during the quarter.

Challenges to the rapid and smooth forward movement of CAPP that will be addressed during the Fourth Quarter include - mobilization for the new expatriate Compliance Advisor, accelerating project processing with the new CAPP organization structure, senior managers from USAID, Plan Colombia and CAPP together communicating and "selling" the ten restructured Plan Colombia projects to proponents, , getting a waiver to be able to sign agreements with Incuagro (a semi-government, private sector controlled entity), and being able to reimburse essential pre-loan project preparation costs.

The major areas of focus for the Fourth Quarter include adding 13 projects to the implementation stage, making a total of 25 for a total project value of \$137.2 million and a CAPP participation of \$18.0 million, or 13.13% leverage. In addition, Reorganizing Plan Colombia project structures being incorporated into the CAPP portfolio, and the new CoP receiving final approvals, oriented and starting work.

During CAPP's LoP we expect to develop and launch up to 35 agribusiness Projects. These Projects will produce a minimum increase of nearly 66,315 hectares of land in use for new, licit agricultural production or new, legal crops in previously illicit crop areas, and a minimum of 22,000 families will benefit from new, legal job and income creation.

2.0 Background

The Colombia Agribusiness Partnership Program (CAPP) is designed to further USAID/Colombia's Strategic Objective 2: Promote Economic and Social Alternatives to Illicit Crop Production. The objective of CAPP is to help agricultural producers and others involved in illicit products shift into legal activities or remain uninvolved in illicit coca and poppy production.

This shift is being accomplished by providing responsible, larger, Colombian agribusinesses with an effective combination of financial, training and technical support services to help them develop new businesses ("Projects") that will expand and sustain income opportunities in or near areas where illicit crops are produced. CAPP provides 1) pre-implementation technical assistance and training needed to produce commercially viable business plans, 2) linkages with other sources of development and implementation support, 3) technical assistance and training to support Project implementation, 4) and "up-front" financial assistance to facilitate Project implementation.

These new business and income opportunities will draw people away from involvement in illegal activities while sustainably strengthening the Colombian private sector. CAPP may also develop productive infrastructure ("Activities") in municipalities where CAPP-supported Projects are implemented, and may provide resources to assess and promote change of policies where that would be beneficial to CAPP Projects and private sector-driven alternative income generation.

CAPP is being implemented through what is now a five-year, US\$38 million USAID/Colombia contract with Associates in Rural Development, Inc. (ARD) of Burlington, Vermont, USA.

An important underlying principle of CAPP is that we are a *catalyst* to help our *customers* develop and sustainably (financially, environmentally, socially, and managerially) implement Projects that meet CAPP objectives. CAPP is not a direct participant in Projects, or the main source of support for Projects. CAPP is helping private sector customers develop and sustainably implement Projects *they want to do* that are consistent with CAPP's objectives.

The information presented in this Quarterly Report is for the first 17 months (late January 2003 to 30 June 2004) of CAPP in order to coincide with USAID's reporting cycle. All references to Quarter in this report relate to USAID's Fiscal Year, i.e., First Quarter is October 1 – December 31, Second Quarter is January 1 - March 31, Third Quarter is April 1 - June 30, and Fourth Quarter is July 1 - September 30.

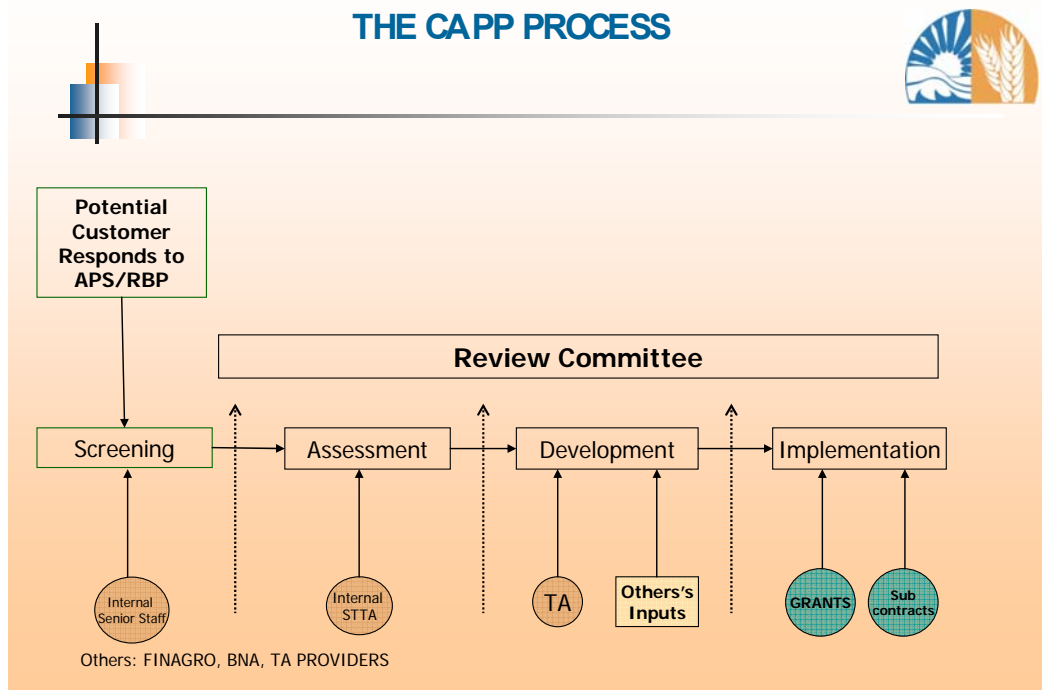
3.0 Proposal Development and Project Implementation Processes Overview

The process CAPP uses to efficiently and effectively assess and develop proposals started with a potential customer responding to the CAPP Annual Program Statement (APS)/Request for Business Plans (RBP). Concept papers and proposals are then guided through a four-step process. These steps are Screening, Assessment, Development, and Implementation.

Before a proposal can pass into the next stage in the process, the Review Committee must approve it using pre-established and weighted criteria. The Review Committee is composed of USAID and CAPP senior staff, and uses pre-established criteria to evaluate each proposal. See Figure 1 below for an illustration of the CAPP process.

Screening, which has now been completed for all CAPP proposals, was done exclusively by CAPP long-term agribusiness professional staff. Each proposal that was screened and passed into the Assessment phase by the Review Committee was assigned a Coordinator, managed by a CAPP Task Force Leader, who is responsible for expediently, efficiently, and effectively moving the proposal through the system. Outside technical assistance is provided directly or via customer reimbursement as needed to support Assessment and Development.

FIGURE 1
THE CAPP PROCESS



Technical and up-front financing assistance is used to support successful Implementation of approved Projects. Implementation is usually supervised by the same Coordinator, operating under the guidance of a Task Force Leader, which helped the proponent develop their proposal into a Project. CAPP has systems and procedures for monitoring the progress of a Project, and uses monthly invoice payment documentation and progress reports for each type of supported activity as a means of enforcing project implementation information flows and monitoring implementation progress.

The objective of these efforts is to identify, develop and support Projects that will have a sustainable and positive impact on economic alternatives to participation in illicit crop production. To achieve our objectives during the Quarter we continued to place emphasis on developing and bringing to Implementation good Projects. To do this we worked closely with the other necessary sources of support to “fast track” those proposals with the highest potential. These other sources of support included Finagro for customer loan guarantee approval, commercial banks such as Banco Agrario, for rapid customer financing approval, USAID for Environmental Review approval, and external sources of technical assistance. All of these sources of support are necessary to expediently develop the information needed to confirm potential Projects’ financial, managerial, social and environmental sustainability, and then launch the Project. Therefore, the speed at which CAPP can develop a potential Project is greatly dependent on the other supporters of that potential Project.

4.0 Significant Accomplishments during the Third Quarter FY ‘04

4.1 Overview

As can be noted in Figures 6, 7 and 8 below, CAPP’s average percentage contribution to the total cost of a potential project or Project currently in Assessment, Development, and Implementation is anticipated to be 13.2%, 13.8%, and 9.8% respectively. This means that if the proposals currently in Assessment and Development are passed to Implementation, plus those already in Implementation, a CAPP investment of \$23.8 million will stimulate total new investments of \$186.7million in agriculture/agribusiness Projects

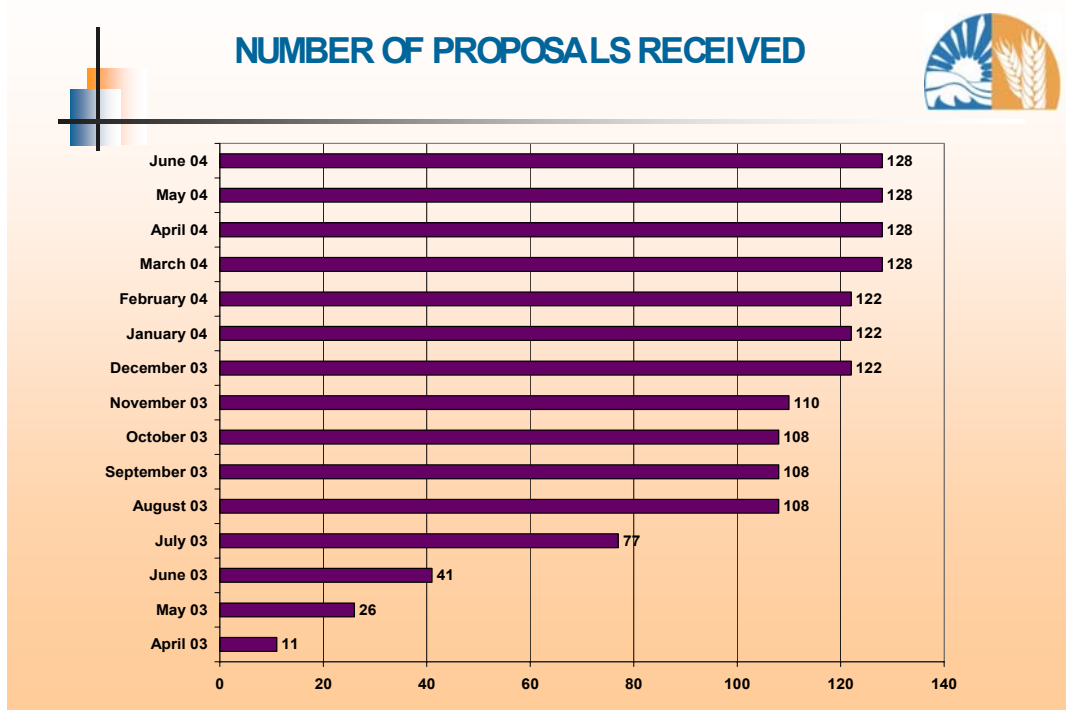
located in or near areas where illicit crops are grown. This represents excellent leveraging (12.7%) of USAID resources.

Now that twelve Projects have been passed into Implementation, some of our focus has shifted to completing the agreements associated with the support CAPP will be providing to these approved Projects, and helping customers begin implementation of their approved Business Plans. However, we continue to emphasize moving additional Projects through Assessment and Development so that an optimum number of Projects can be launched during CAPP's term.

4.2 Proposals Received

In the Third Quarter FY '04 CAPP did not accept any new proposals since our portfolio is closed. Therefore, as of June 30, 2004, CAPP had received a total of 128 concept statements or proposals from potential clients in response to our three APS/RBPs and the Plan Colombia convocatoria proposals (Figure 2). The initial CAPP APS/RBP had an expiration date of 15 July 2003, the second more specific APS/RBP expired 31 August, and the last, even narrower and more specific APS/RBP expired on 31 December 2003. Of the total number of proposals received by CAPP, 117, or 91%, were in response to CAPP APS/RBPs and 11, or 9%, were from the Plan Colombia convocatoria.

FIGURE 2



4.3 Proposal and Project Development Results

4.3.1 Screening

During the Screening phase, CAPP internal agribusiness specialists evaluate the potential for a proposal to meet pre-established CAPP screening criteria. In the Third Quarter FY'04 no proposals were still in the Screening. Therefore, all 128 proposals received as of 30 June, not including the 6 new Plan Colombia convocatoria proposals that were received during the Quarter, have been screened. Fifty-one of these non-Plan Colombia proposals were passed from Screening into Assessment, 40 were Rejected during

Screening, and 31 were placed on Inactive status from Screening waiting for actions outside of CAPP's control. Most of the proposals that have been turned down were rejected because of their small size, or characteristics inconsistent with CAPP's objectives. On a LOP basis, 42% of proposals screened have passed at least into Assessment.

Proposals Passing Screening by Type

As illustrated in Figure 3, the 37 proposals and Projects that are presently active, i.e., are in Assessment, Development and Implementation, including Plan Colombia convocatoria proposals that were accepted directly into Development, are located in 214 different Municipalities and 20 different Departments in or near where coca is currently grown.

FIGURE 3

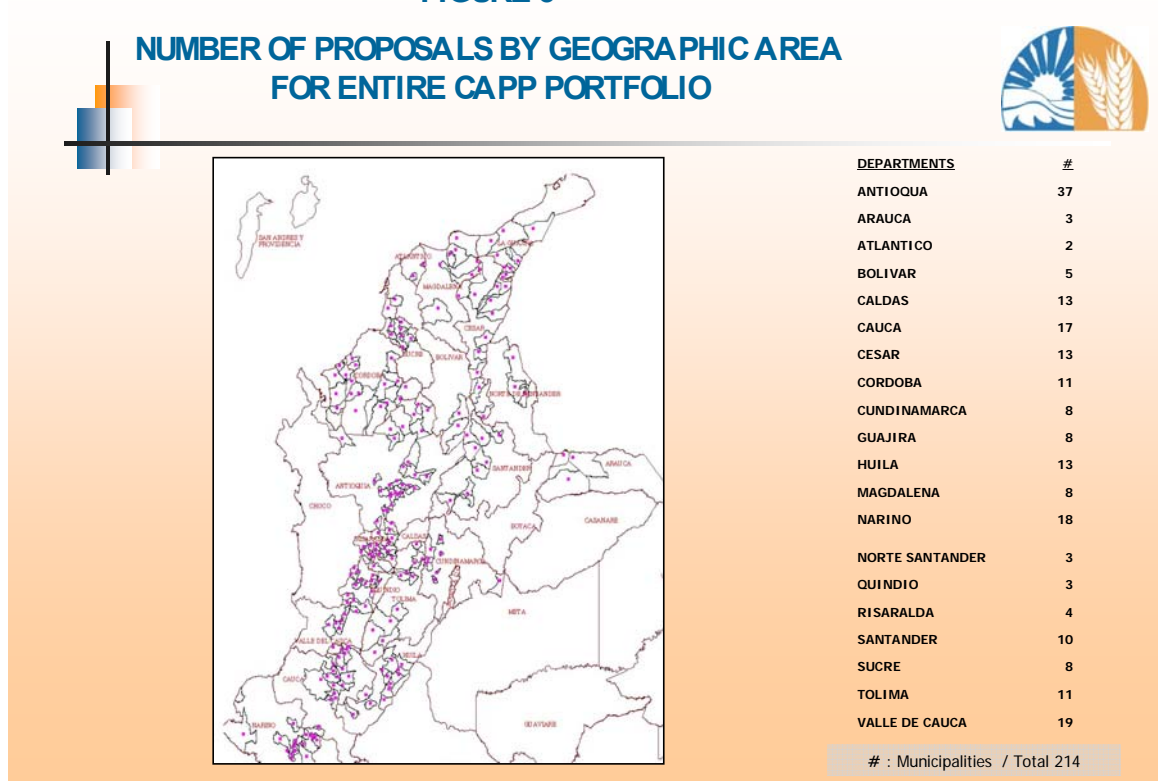
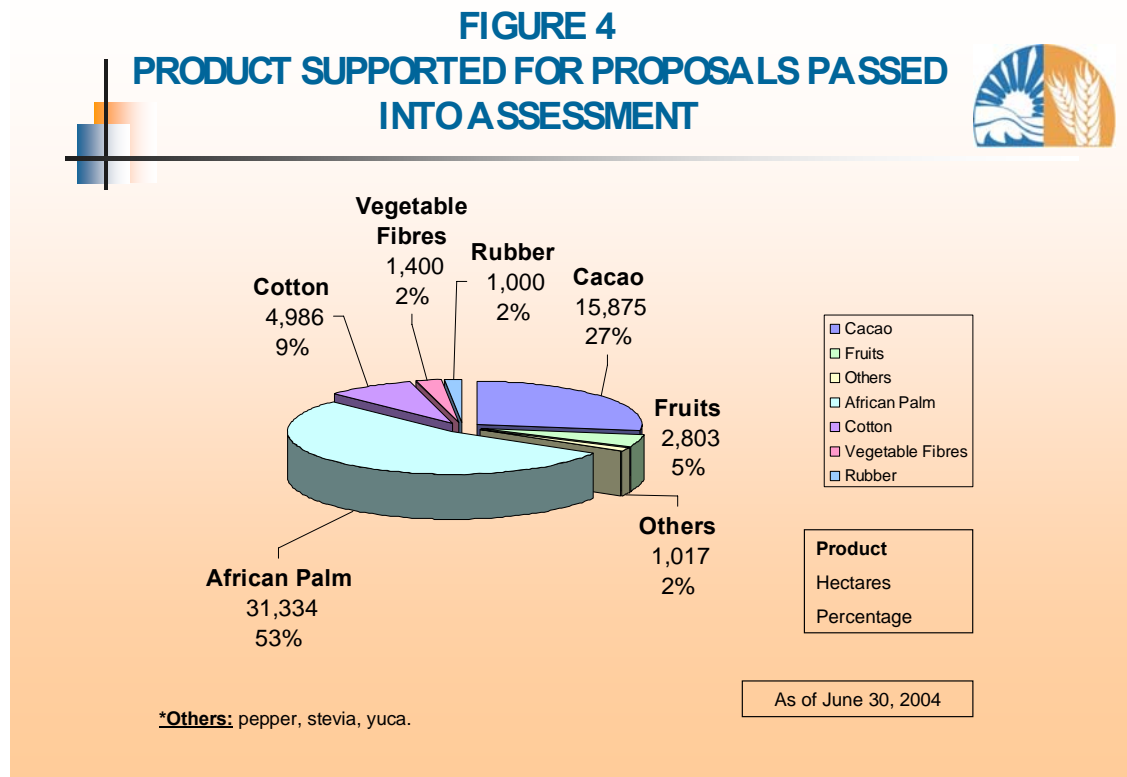
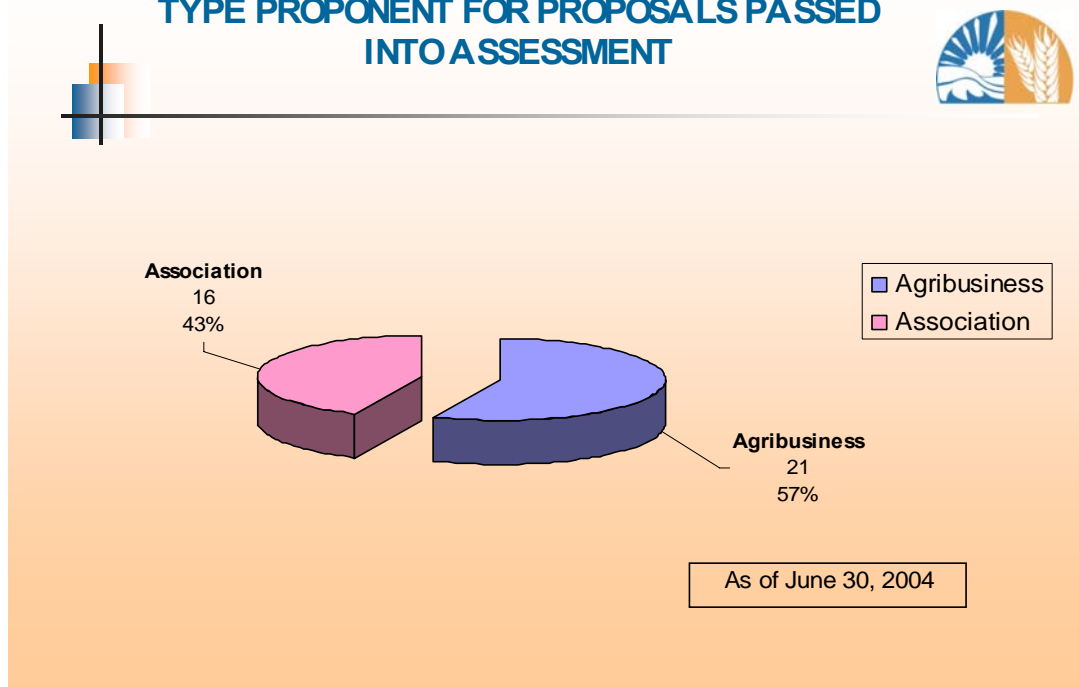


Figure 4 shows the distribution of hectares to be planted for the six main product categories of currently active proposals and Projects, with African Palm (53%) and cacao (27%) being the most numerous. Including fruits and rubber, more than 82% of CAPP's support is for the development and implementation of projects involving long term crops. This emphasis is positive from the standpoint of the period of time the land will not be available to plant illicit crops, but does mean that the time required to develop these projects is quite lengthy. These longer term crops require an extensive development period and do not produce marketable output for several years. Therefore, sources of sustenance income, such as short-term crops, during the years before the main crop will be in production must be included in the project structure.



As can be noted in Figure 5, active proposals and Projects are from both agribusinesses (57%) and producer associations (43%). Agribusiness proponents are generally interested in backward integration and/or an increased or more secure source of raw materials. Producer Associations are most often interested in forward integration and/or securing an assured market for their output and thereby a source of financing to expand their operations.

FIGURE 5
TYPE PROPONENT FOR PROPOSALS PASSED
INTO ASSESSMENT

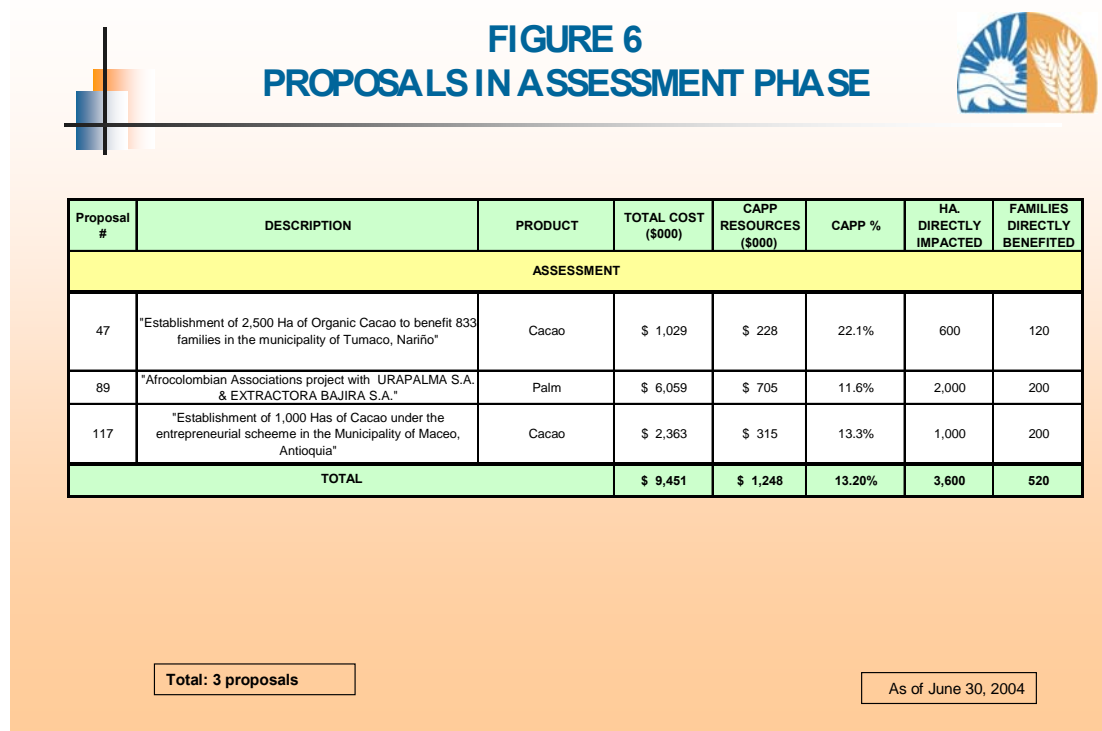


4.3.2 Assessment

During Assessment CAPP Coordinators work with potential customers, and possibly other potential project supporters such as FINAGRO or the BNA, to gather more details on the potential project and assess its prospects based on a pre-established set of assessment criteria. In the Third Quarter, five proposals completed Assessment, one (#119) was passed into the Development phase, and four were placed on Inactive status, due to funding issues, lack of management capability, or other similar considerations. Such issues regarding these proposals were not apparent during the Screening phase, but did surface during the creation of the draft business plan during the Assessment phase. Three proposals are currently still in the Assessment phase.

For the LOP, of the 51 proposals approved into Assessment, 32 have completed the Assessment phase, were presented to the Review Committee and were passed into Development. Therefore, all proposals considered by the Review Committee were passed into Development. Fifteen proposals were either Rejected or put on Inactive status from Assessment. Given that CAPP Coordinators, and/or other CAPP staff have done all the work regarding proposal Assessment, no outside technical assistance has been used for Assessment up to this time.

A brief overview of the three proposals in Assessment as of 30 June is shown in Figure 6. The total investment of potential projects currently in Assessment and CAPP's share of the total cost may change during the Assessment and Development stages. Projects in Assessment may or may not be approved into Development or Implementation, therefore the possible \$1.2 million, or 13.2%, CAPP contribution shown in Figure 6 is likely to be lower for those Projects actually passed into Development and Implementation.



4.3.3 Development

During the Development phase, the full business plan, financial projections, agreements, and detailed implementation plans, including M&E and environmental protection, required for the potential Project are drafted in preparation for Implementation. Of the 25 proposals in the Development phase during this quarter, 24 were in the phase at the beginning of the quarter, 1 entered from the Assessment phase, 2 completed the Development phase and where passed into Implementation.

During the Quarter, substantial work was done to prepare the 25 proposals in Development for Implementation. Over the history of CAPP as the technical, managerial, financial, and environment analysis and compliance preparation expands, so does the size of the Project Document, which now passes 20 pages. The full set of documents submitted to AID reaches 60 - 100 pages. Some outside technical assistance was utilized for this work.

As of 30 June, CAPP has utilized three Fixed Obligation Grants and one Purchase Order to enable potential customers (Fedecacao - #001, Fedecacao - #007, Agrofrut - #012, and Empaques del Cauca - #027) to acquire needed technical assistance. The total value of these agreements is \$144,889.

Twenty two proposals were still under development as the end of the Third Quarter FY'04. A brief description of these potential Projects is shown in Figure 7. The total cost and CAPP's share of these potential Projects may change before the end of Development. Therefore, the implied \$18 million or 13.8% of total investment, CAPP contribution may also change.

FIGURE 7

PROPOSALS IN DEVELOPMENT PHASE

POPOSAL #	DESCRIPTION	PRODUCT	TOTAL COST (\$000)	CAPP RESOURCES (\$000)	CAPP %	HA DIRECTLY IMPACTED	FAMILIES DIRECTLY BENEFITED
DEVELOPMENT							
1	"Organic cacao for the exports market"	Cacao	\$ 764	\$ 137	17.88%	300	150
7	"Planting of 5,000 Ha of cacao financed by a securitization process"	Cacao	\$ 18,083	\$ 901	4.98%	5,000	5,000
24	"Stevia in the 'Zonas Campesinas' of Colombia"	Stevia	\$ 1,384	\$ 250	18.06%	200	600
35	"Agroindustrial project for the planting of Palm in South Bolivar"	Palm	\$ 7,692	\$ 824	10.71%	2,000	200
40	"Strengthening of the cacao productive chains in Department of Huila"	Cacao	\$ 3,345	\$ 711	21.26%	600	200
45	"Planting of 2,100 Ha of African Palm in the Magdalena Medio Santandereano"	Palm	\$ 4,259	\$ 877	20.60%	2,100	210
46	"Planting and marketing of 1,000 has. Of Cacao in La Gloria, Cesar"	Cacao	\$ 5,554	\$ 1,207	21.73%	1,000	200
48	"Establishment of 510 Ha of Cacao to benefit 100 producers in the municipalities of Tarqui, Iquira, La Plata, Nataga, Pital and Teruel (Huila)"	Cacao	\$ 2,970	\$ 578	19.45%	510	85
51	"Palm project in San Vicente de Chucuri"	Palm	\$ 2,663	\$ 565	21.21%	1,000	100
52	"Securitization- 2,858 Ha of African Palm"	Palm	\$ 18,559	\$ 742	4.00%	5,858	837
59	"Planting 1,000 Ha. Of Cacao by small producers in Bolivar"	Cacao	\$ 3,118	\$ 231	7.39%	1,000	250
65	"Strengthening of the Yuca Productive chains"	Yuca	\$ 4,265	\$ 348	8.16%	682	250
80	"Proposal to promote natural rubber, through the plantation of 1,000 Ha"	Rubber	\$ 3,367	\$ 880	26.15%	1,000	200
82	"Planting of 400 Has. Of bananas for the export market in the Zona Bananera in Magdalena"	Banana	\$ 2,821	\$ 298	10.58%	400	60
95	"Extension of Tomate de Arbol project executed by the SOCIEDAD ANÓNIMA FRUTIMACIZO EN SOTARÁ (CAUCA) E ISNOS (HUILA)"	Tomate de Arbol	\$ 1,514	\$ 118	7.80%	250	250
119	"Agribusiness project for the plantation and consolidation of 5,000 Ha of African palm in the Magdalena Medio Boliviariense"	Palm	\$ 10,411	\$ 1,938	18.61%	5,000	1,400
123	"Establishment of 1,700 Ha of Cacao to benefit 340 families in the municipalities of Sardinata, Cúcuta and Puerto Santander (Norte de Santander)"	Cacao	\$ 6,286	\$ 1,314	20.91%	1,500	340
124	"Establishment of 1,665 Ha of Cacao to benefit 333 families in the municipality of Zulia (Norte de Santander)"	Cacao	\$ 7,435	\$ 1,250	16.81%	1,665	333
125	"Establishment of 4,000 Ha of African Palm to benefit 400 families in the municipalities of Tibu, San Martín de Loba and Sardinata (Norte de Santander)"	Palm	\$ 14,710	\$ 2,559	17.39%	4,000	400
126	"Establishment of 1,500 Ha of African Palm to benefit 150 families in the municipality of Tibu (Norte de Santander)"	Palm	\$ 4,596	\$ 1,168	25.41%	1,500	150
127	"Establishment of 1,200 Ha of Cacao to benefit 240 families in the Department of Santander"	Cacao	\$ 4,537	\$ 585	12.89%	1,200	240
125P	"Establishment of African Palm Processing Plant"	Palm (Processing Plant)	\$ 2,618	\$ 557	21.26%	0	0
TOTAL			\$ 130,951	\$ 18,036	13.77%	36,765	11,455

Total: 22 proposals

As of June 30, 2004

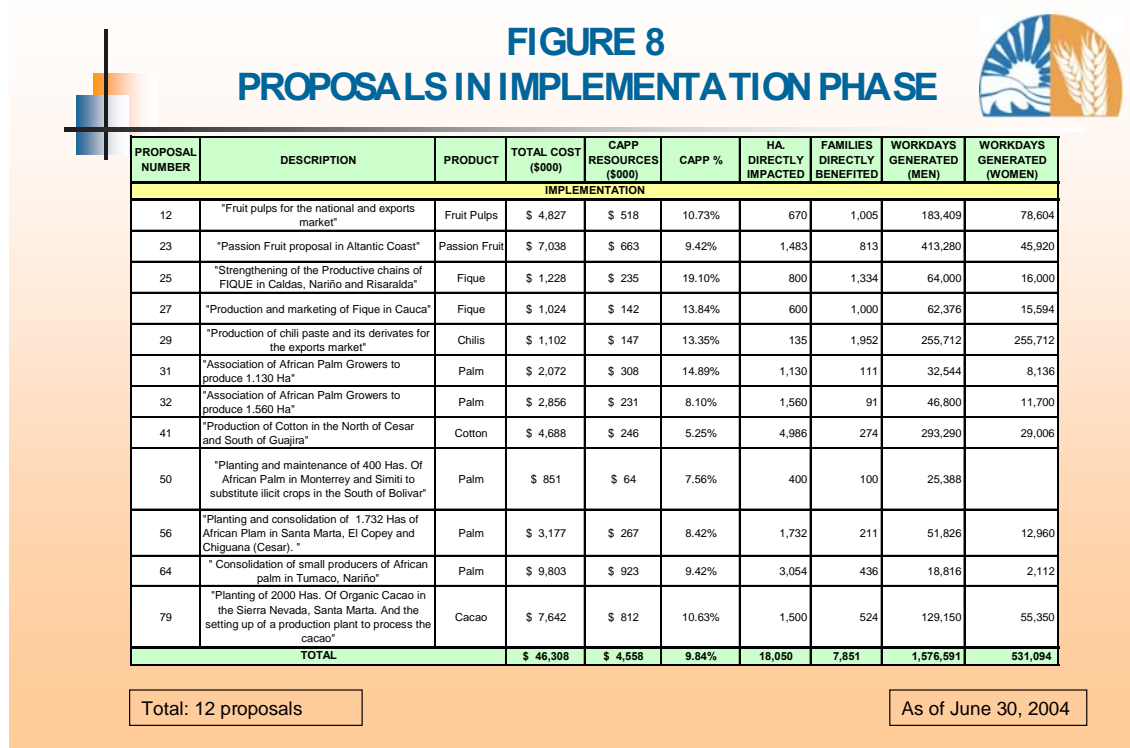
4.3.4 Implementation

Implementation begins immediately after the Review Committee approves a Project into Implementation. The grant or subcontract is then prepared and submitted to AID for Technical and Contract Office approval. Implementation agreements with our customers are then signed and Project implementation



begins. CAPP will continue to play a significant role in the Project by managing the disbursement of Grants or Subcontracts, and monitoring Project results via their M&E and Environmental Management programs as well as via the activity reports submitted for each supported activity.

During the Third Quarter Development was completed on two Projects, and both were formally passed into Implementation by the RC. A summary of all twelve Projects that have been passed into Implementation is shown in Figure 8. As can be noted from this figure CAPP will be committing \$4.6 million, or 9.8% of total investment, to these Projects while other supporters will be investing \$41.7 million. The projected number of hectares and families positively impacted by these twelve Projects will be 18,050 and 7,851 respectively, and more than 2.1 million workdays of employment will be created over the term of CAPP's support.



4.3.4.1 Expanded Description of Projects Passed Into Implementation

Following is a brief profile of the two Projects passed into Implementation in the Third Quarter. See Appendix 3 for an overview of the ten Projects previously passed into implementation.

Compania de Empaques S.A. - #025

The objective of this project is to plant 800 new hectares of fique, in very small plots (often along fence rows) on a total of 4,000 hectares at a density of 800 plants per hectare. These plantings will occur in 38 Colombian municipalities in the departments of Antioquia, Caldas, Risaralda and Nariño.

A total of 1,334 families will directly benefit from this project, and will receive training to manage their individual fique farms efficiently, profitably and sustainably.

CAPP will provide US\$235,634 to Compania de Empaques (CdE) via a Standard Grant. The amount of CAPP support per hectare (800 in total) is US\$295 and per family (1,334 families in total) is US\$177.

CAPP is providing nearly 19% of the project cost via support for production technical assistance and training. The CAPP's participation percentage expressed below is calculated over the entire three year pre-production period. As shown in Table 1 below, the project does not involve any financial institutions.

Table 1
Financing Sources – USD \$000

Financing - USD \$000	2004/05	2005/06	2006/07	2007/08	Total	%
Growers	256.5	188.7	188.7	96.0	729.9	60
Empaques	64.1	50.3	50.3	96.0	260.7	21
CAPP	235.6	0.0	0.0	0.0	235.6	19
Total funding sources	556.2	239.0	239.0	192.1	1,226.3	100.0

Note: Exchange rate used: COP \$2,682/US \$1

CdE will provide assistance equivalent to 21% of the total project cost. As part of this support, CdE will pay for half the cost of the nursery plants, de-fibering machines, wash basins and drying structures, and selected agricultural tools. CdE will also pay for over half of the project's Technical Assistance needs, as well as costs associated with the provision of local de-fibering stations.

CdE is managing the project so will be responsible for contracting and managing the agricultural and managerial technical assistance to fique growers. CdE will buy one hundred percent of the fique fiber produced under this project via purchase agreements. **Producer net income is estimated at US\$1,045 per year.**

Empaques del Cauca S.A. - #027

The objective of this project is the planting of 600 new hectares of fique, in small plots, across a total of 1,500 hectares, at a density of 1,500 plants per hectare. The plantings will occur in eleven municipalities of the Department of Cauca.

Empaques del Cauca (EdC) is the proponent and operator of the project, and is responsible for contracting agricultural and managerial technical assistance to growers. It has also committed, via purchase contracts, to buy all fique fiber production created by the project, and to pay for the transport of all fiber from the farms to its fique gathering centers. EdC also owns fique plant nurseries that will provide young plants to be transplanted on the producers' farms.

Purchase contracts will be signed between EdC and the growers. Growers will contribute 66% of the total project investment via labor and the provision of supplies such as organic fertilizer. EdC will finance 21% of the investment in the form of supplies such as nursery materials, technical assistance, tanks for the washing of raw fique, and the fique plants themselves.

CAPP will contribute 13% of total project costs, to go toward seed certification, soil analysis, fique production technical assistance, training workshops, brochures (manuals) and booklets. (CAPP's participation percentage has been calculated over the entire period of pre-production investment. Over the period of CAPP's twelve month fixed obligation grant however, CAPP's percentage contribution is 24%.) Financing sources for the project is shown in Table 2.

Table 2
Financing Sources – US\$000

Financing - USD \$M	2004/05	2005/06	2006/07	2007/08	Total	%
Capital	565.4	182.3	155.5	81.0	984.2	95.7
Growers	368.8	157.7	130.9	21.0	678.4	66.0
CAPP	136.7	0.0	0.0	0.0	136.7	13.3
Empaques	59.8	24.6	24.6	60.0	169.0	16.4
Loan from Emp. to Growers	0.0	0.0	0.0	44.0	44.0	4.3
Total Sources of Financing	565.4	182.3	155.5	125.0	1,028.2	100.0

Note: The exchange rate used above is COP \$2,682/US \$1

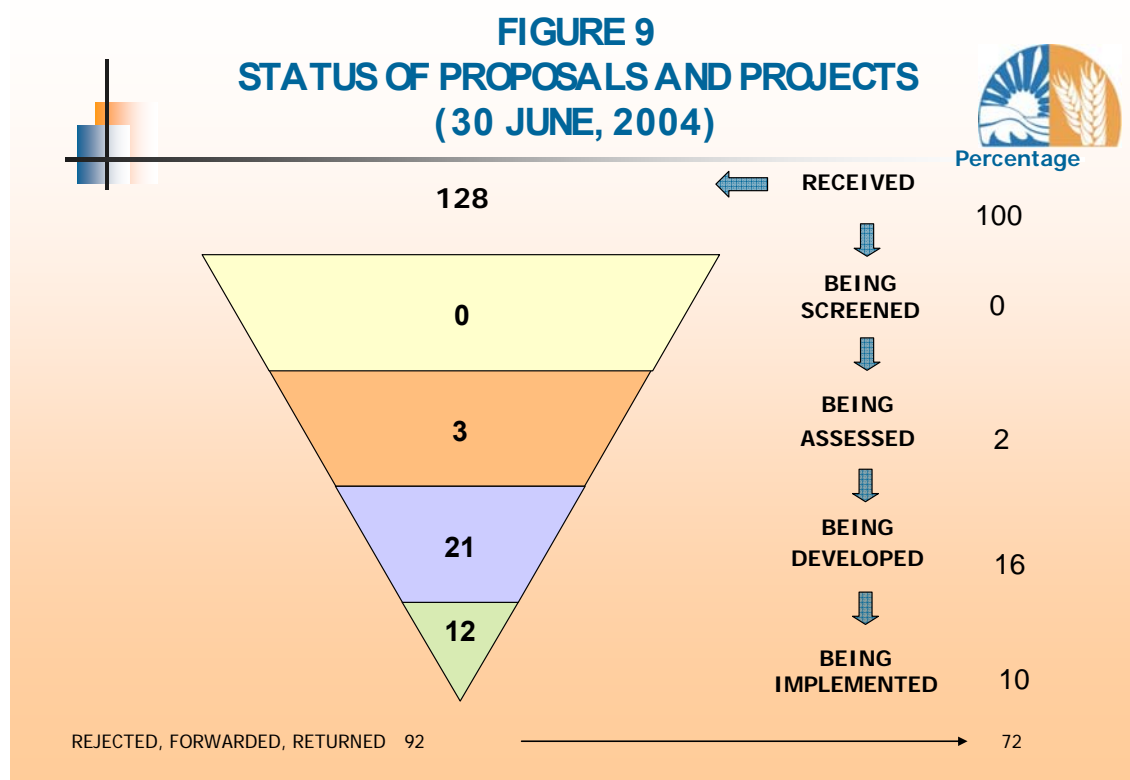
CAPP will provide the equivalent of US\$136,749 (COP\$366,771,400) to EdC via a Fixed Obligation Grant (FOG). These resources are equivalent to 13% of the total project investment across the first four years.

The amount of CAPP support is US\$228 per hectare (600 hectares total), and US\$137 per family (1,000 families in total). **Producer net income is estimated at US\$903 per year.**

4.4 Status of Proposal Development at End of the Third Quarter

Figure 9 provides a summary of the status of all proposals and Projects as of 30 June 2004 in number and percentage. While it is relatively easy and cost effective to move proposals through the Screening and Assessment phases, Development is more time and resource intensive. During Implementation, the real work starts. As can be noted from Figure 9, as of 30 June, 28% of concept papers and proposals received are still active, 2% are in Assessment, 16% are in Development and 10% are in Implementation.

Appendix 1 contains a listing of all proposals received as of the end of the Third Quarter and a very brief status statement. Appendix 2 lists the departments and municipalities positively impacted by active proposals and Projects.



4.5 Program Extension

In mid-March 2004 USAID and ARD signed Contract Modification #7 extending CAPP until December '07 and increasing total funding by \$18 million to a total of \$38 million. This extension will enable CAPP to provide ongoing support to good projects.

Considerable work was completed during the Third Quarter on adjusting, adopting and enhancing CAPP's systems and procedures for a longer term and larger project. Particular emphasis was placed on upgrading the level of implementation reporting required and modifying early grants to require more detailed reporting of expenditures. The latter requirement was added based on the questionable quality of the support for invoices received from customers.

4.6 New Plan Colombia Projects Planning

Intensive work took place in the Third Quarter, on understanding in-depth the new proposals and rapidly developing them into commercial and bankable CAPP-type projects. We are now in the process of finalizing the structure of the proposals, confirming sources of financial support and forward contracts, and are about ready to present them as proponent advantageous and commercially sustainable projects. It is anticipated that meetings with the proponents to explain the revised structure and support package will be held the second week of August. USAID and Plan Colombia management support will be required during these presentations. An overview of the ten Plan Colombia projects is shown in the table below.

TRM COP\$ per 1 US\$**CAPP - PLAN COLOMBIA PROJECTS****2634.44**

PROJECT No.	PROPONENT	MUNICIPALITY	PRODUCT	NEW HECTARES	FAMILIES BENEFITED	TOTAL INVESTMENT US\$ '000	CAPP SUPPORT US\$ '000
45	Palmares EL PORTICO	Sabana de Torres, Santander	PALMA	2,100	210	4,928	1,149
46	Cacao del Cesar	La Gloria, Cesar	CACAO	1,000	400	4,566	1,232
47	CORDEAGROPAZ	Tumaco, Nariño	CACAO	600	120	1,052	233
48	FEDECACAO	Tarqui y La Plata, Huila	CACAO	510	102	2,565	307
123	FUNDESCAT	Sardinata, Norte de Santander	CACAO	1,700	340	6,428	828
124	ALDEA	Zulia, Norte de Santander	CACAO	1,665	333	7,603	1,161
125	ASOGPADOS	Tibú, San Martin de Loba y Sardinata, Norte de Santander	PALMA	4,000	400	13,681	2,531
125 - P	Hacienda Las Flores	Tibú, Norte de Santander	Aceite de Palma			2,678	569
126	ESTAM	Tibú, Norte de Santander	PALMA	1,500	150	5,137	1,152
127	CORPOICA	Landázuri y Cimitarra, Norte de Santander	CACAO	1,050	210	11,243	1,449
TOTAL				14,125	2,065	59,882	10,611

Yellow cells are for projects that have already finished CC process, Others DRAFT

4.7 Program Management and Support

4.7.1 Organizational Restructuring

To more effectively focus efforts on the highest potential projects and expediently bring them to the point where they are ready to be implemented, an organizational restructuring took place in March. Two Task Forces were formed, each with a senior CAPP manager as Leader. Both Task Forces have a full complement of Proposal Coordinators, a Finance Specialist, an M&E specialist and an Environmental Specialist. Therefore, they are able to develop all critical areas of a proposal as a team. Each of the Advisors provides support in their area of specialization to the two Task Forces. In the Third Quarter the new organization was finalized, including some shifting of responsibilities for junior staff. In addition,

explicit responsibilities and reporting relationships for all staff were finalized. The new organization chart is shown in Appendix 1.

4.7.2 Processes Enhancements

Since CAPP has been operating for just over seventeen months and several lessons have been learned, we felt it necessary to review our basic processes and make sure they are optimized. Therefore, the team took the time to identify and formalize what we consider to be the basic optimal proposal development and project implementation process and procedures. As a part of this the CoP candidate (later approved) carried out a two week assignment to assess the organization and recommend project flow improvements. All of these efforts by the team were very useful as both a review, and as a means to resolve overlapping or uncertainty in the processes. It is also the case that minimal work had been done on project implementation procedures, especially invoice approval and implementation reporting, since Projects had only very recently been passed into implementation. Our process optimization work made substantial progress during these sessions.

A recent “lesson learned” regarding project implementation is that our customers do not understand the difference between the maximum cost budget in a Standard Grant or large contract, versus the fixed cost budget on a PO or FOG. Standard grant invoices have been coming in with unsupported maximum budget numbers. This has necessitated enhancements in the reporting and invoice submission procedures built into Standard Grants and large subcontracts. This process has resulted in some delays in invoice approval and completion of Standard Grants and large subcontracts, but we believe that when the new procedures and forms are completed, we will be able to more quickly and effectively approve invoices and monitor project implementation.

4.8 Progress vs. Work Plan

Figure 11 illustrates CAPP’s progress to date versus the Year Two Work Plan Supplement submitted in the Third Quarter after the time and funding extension. The Work Plan supplement called for fourteen Projects to be in Implementation by the end of the Third Quarter FY’04 and twelve have been passed into Implementation. Several projects are in a very late stage of development and will be presented to the Review Committee in July. It is anticipated that CAPP will be on plan regarding projects passed into Implementation by the end of the Fourth Quarter FY ’04.

FIGURE 11
STATUS vs OVERALL
WORK PLAN



Activity	Month											
	1	2	3	4	5	6	7	8	9	10	11	12
	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04
Proposals Received	122	122	128	129	129	131	131	131	131	131	131	131
Proposals Screened	109	112	122	122	122	122	122	122	122	122	122	122
Proposals Assessed	40	42	45	46	48	51	51	51	51	51	51	51
Implementation Plans & Agreements Being Developed	17	18	24	22	22	20	17	14	12	14	10	6
Results												
Proposals Passed into Implementation by R.C.				▲▲		▲▲▲	▲▲▲	▲▲	▲▲	▲▲	▲▲▲	▲▲▲
Results	10	10	10	12	12	14	17	20	22	24	28	32
Implementation Agreements Signed	6	7	7	7	7	10	13	15	18	20	24	28
Results												
Implementation Grants and Contracts Completed	0	0	0	0	0	1	1	1	1	1	7	7
Results												
Projects Being Implemented	6	7	7	7	7	9	12	14	17	19	17	21
Results												
Implementation Plans & Agreements + Projects Being Implemented	23	25	31	29	29	29	29	28	29	33	27	27
Results												
Total Grants and Contracts Completed	1	4	4	4	4	6	6	6	7	7	14	15
Results												
Policy Related Activities Being Implemented	0	0	0	0	0	0	2	2	2	2	1	1

●	"New" Plan Colombia Proposals
○	"New" Follow-Up Convocatoria Proposals
▲	"New" Plan Colombia Proposals
*	Implementation Grant or Contract Completed
x	Pre-Implementation Grant or Contract Completed
○	"New" Plan Colombia Proposals

4.9 Accomplishments and Contratiempos by Department

4.9.1 Most Significant Accomplishments during the Quarter

Department Level Activities

1. Most Significant Accomplishments during the Quarter

Finance

- The Task Force organizational structure was created with CAPP. Finance Specialists and recently hired Assistants were assigned to each group.
- Finance developed or enhanced formats such as the Award Budget, Agribusiness Input Form, Policy Paper #1 entitled "Salary Grid", and Policy Paper #2 entitled "Standard Social Benefits and Overhead Multiplier", among others, to enable a more efficient due diligence analysis.
- CAPP's Controller reported all accounting and tax information to Home Office correctly, and within the established deadlines.
- CAPP Electronic Tax Returns were completed timely and correctly for FY 2003.
- A new form was created to report salary information to ARD Vermont. A payroll problem going back to the middle of last year was resolved.
- An updated computer antivirus program, and a new e-mail domain were purchased.

Agribusiness

- Finalized and gained internal approval for the;

-
- Award Budgets and PDs for #023, #025, and #027, all approved by USAID and either signed (#023), or awaiting proponent signatures;
 - Award Budgets and PD for #064 Standard Grant, now awaiting USAID approval;
 - Award Budgets and PD for #095, whose financial agreement needs to be created for USAID approval;
 - SoW and other documents for the Pre-Implementation FPPO for #065;
 - Met with Erhardt Rupprecht (USAID), Harry Wing (Land ó Lakes CoP), and Agrofrut in Medellin re: USAID-planned visit to #012 (Agrofrut) site on 4/22/04.
 - Created a Draft presentation for USAID's Agrofrut visit, with input from CoP and USAID.
 - Submitted near weekly CAPP Success Stories to USAID.
 - Assisted in coordination of activities between CAPP departments, including issues regarding the recent application of new CAPP policies and procedures, etc.
 - Completed, with the assistance of the Acting CoP and ARD's Compliance Adviser, final and approved Activities Planning and Monthly Report templates (seven in total), to be included with Project financial support agreements.
 - Assisted in the creation of CAPP's new logo design, and made suggestion changes to CAPP's brochure.
 - Coordinated delivery of CCI information to Fanny Jorge, per her request, regarding CAPP's ability to work with Incuagro as a CAPP component.
 - Performed performance reviews for Agribusiness Team members Alvaro Pio Vargas (PC), David Celis (PC), Mario Osorio (PC), Javier Giraldo (PC), Alfonso Murillo (Agribusiness Assistant), and Edgar Mauricio Bermudez (Agribusiness Assistant).
 - Assisted the updating and development of CAPP's personnel policies by being a member of CAPP's newly-created HR Committee.
 - Assisted in the creation of new Position Descriptions, and/or updated Positions Descriptions, for the Office Manager, Proposal Coordinators, Financial Assistants and Agribusiness Assistants.
 - Reviewed with TF2 and the FT the Due Diligence status of proposal #002 Conalgodón, deciding to reject the proposal for lack of committed hectares, and for the proposal not passing due diligence. Assisted in the creation of a draft rejection letter to Conalgodón.
 - Assisted in the hiring process of CAPP STTA's Jennifer Parra and Armando Gnecco.

Task Force 2

- Actively participated in suggesting the Colombian regions which are a priority to develop CAPP style Projects. The purpose of the recommendations was to help USAID define target Economic Corridors.
- Reviewed and helped process clients' invoices by performing follow-up activities on Project Implementation activities. In some cases this involved visiting the Projects on-site..
- Developed an approach for helping customers perform financial structuring and evaluation of their Projects. This involved visiting customers' staff to discuss and understand the Projects and its needs. This process with some Projects has been lengthy due to some proponent's lack of knowledge regarding how to structure good Projects. Delays have also been caused by enhancements to, and changes in, CAPP's information and verification systems.
- Actively participated in the preparation of letters sent to the proponents of signed Projects to request information about possible contratiempos, new report formats, and modifications to signed grants, including translations into Spanish. In several cases it was necessary to visit the Projects to explain report formats and the grant modifications requested by CAPP.
- Coordination activities completed included:
 - Assisted the Environmental/Monitoring and Evaluation team to obtain additional information regarding proposals in development;
 - Prepared a memo regarding first analysis results of the new Plan Colombia proposals, with comments and suggestions, in order to assist in future negotiations with the proponents, and to help define CAPP's participation;
 - Completed a proposal completion schedule for TF2 Projects, from April 30 to October 2004, and defined the schedule and transfer dates for proposals from TF1 to TF2;

- Sent a letter to Projects #026 and #077 requesting that they report their level of interest and status to determine, and document, whether they should pass to the “On Hold” or “Rejected” category;
- Sent a letter to Project #076 informing the customer that their proposal is “On Hold” for a 3 month time period, until CAPP finishes those Projects which are a priority in its portfolio;
- Met with Agrored and AON Risk Services to know in advance the Performance Guarantees which proposal #007 will need regarding the securitization process of the proposal;
- Prepared and presented to USAID a summary of #007, with information about status and steps that need to be completed;
- Met with Felipe Duchuela from ARD/Pronorte, Ecuador, in order to discuss potential cooperation on products such as cacao, yucca, plantain, and fruits;
- Reviewed the securitization cost structure of proposal #007. Project cost is calculated at close to 18% of total, or nearly 3% higher than the financing cost of a small-grower Project financed by Finagro;
- Met with Fedecaco personnel to help move forward Project #001, and determine the status of Banco Agrario loan requests;
- Met at the US Embassy with USAID and Georgetown University to discuss the selection of principal municipalities to focus Plan Colombia activities in future.

Task Force 1

- Developed a “tailor made” set of criteria for evaluating and processing Plan Colombia Projects, emphasizing making them viable and bankable, and shortening time-to-Implementation;
- Visited Plan Colombia Tibú Projects and clients to gather Project information, and smooth the transfer of such Projects to CAPP;
- Diffused potential problems and dealt with communities in Tibú, during multiple communications and visits to Cúcuta, regarding Plan Colombia Projects;
- Presented CAPP’s “Plan Colombia” proposals to Plan Colombia, Banco Agrario and Finagro in order to receive preliminary reaction and familiarize them with the restructured Projects;
- Worked toward securing 100% FAG guarantees for Plan Colombia proposals by registering them as Alternative Development (aka “AD”) Projects with the Ministry of Agriculture, thus making them less risky and more appealing for banks to finance;
- Helped CAPP proposal proponents with the preparation and presentation of credit applications to banks;
- Encouraged Promision S.A., a new group of investors, to accelerate the installation of a new coco processing plant in Bucaramanga, as a possible cacao buyer for CAPP supported grower Projects;
- Obtained Carlos Murgas’ commitment to install and invest in an African palm press plant regarding proposal #125P. This commitment will be provided in writing after #125 and #126 financing has been approved by Banco Agrario;
- Arranged a Bogotá meeting to link Colombian processors of cacao to CAPP customers;
- Made preliminary arrangements for a meeting with U.S. industry representatives to explore the export potential of Colombian cacao, to facilitate purchase contracts with the Colombian processors who will sign forward contracts with CAPP customers, in order to make CAPP cacao Projects bankable;
- Prepared evaluation and recommendations for two new Tibú Projects that USAID may transfer to ARD/CAPP;
- Prepared a Comparative Regional Agribusiness Economic Growth Matrix for USAID;
- Requested and helped select the junior staff required to expediently finish processing CAPP’s Plan Colombia Projects, and effectively monitor their Implementation.

Compliance

- Completed the following Financial Compliance Policy Papers:
 - #1 ARD/CAPP Salary Grid – approved by USAID CO;
 - #2 Fringe and Social Benefits Multiplier - reviewed and approved by COP, Finance Advisor and Compliance Advisor;
 - #3 Administrative Expense - reviewed and approved by COP, Finance Advisor and Compliance Advisor; and

- #4 Inflation Rate - reviewed and approved by COP, Finance Advisor and Compliance Advisor.
- Signed CEA Standard Grant (#023) that was approved by USAID without any revisions.
- Signed CAEMA T&M-type contract.
- Received approval of #025 FOG, that was approved by USAID without any revisions.
- Received approval of #027 Standard Grant, which was approved by USAID without revisions.
- Developed Close-Out and Milestone Completion Forms;
- Created close-out formats that adhere to CIB 90-12, and can be used for closing out Standard Grants, FPPO's, and contracts;
- Created a Milestone Completion Form for FOG Milestones.
- Sent Compliance Letters to #012, #031, #032, #056, and #079.
- Wrote Grant Modification Letters (re: reporting formats) to #012, #031, #032, #056, and #079.
- Enhanced the financial reporting form used for payment reimbursement requests (e.g. GRAF003).
- Created a financial reporting form to be used for payment advance requests (e.g. GRAF004).
- Reviewed the financial budget template attached to grant agreements.
- Worked with members of the Financial Team to enhance the financial budget format to be used in the final agreement package.
- Drafted first version of the Project Audit RFP.

M&E

- Performed the Initial Land Verification for Projects #029 and #079, through Task Orders with our subcontractor Corporación Grupo Gestor.
- Received M&E information for Projects #012, #031, #032, #041, #056 and #079, and updated the CAPP database for all Projects in Implementation.
- Developed Technical Reports to evaluate Project Implementation performance, identified some possible Implementation timing issues, and made recommendations to the Agribusiness Team concerning Projects #012, #031, #032, #056 and #079.
- Attended the "Regional Meeting Regarding Monitoring, Evaluation and Operative Investigations of Alternative Development Programs" in Lima, Perú, and gave a presentation on CAPP's M&E procedures.

Environment

- Eleven (11) Environmental Reviews were approved:
 - Since CAPP's inception, twenty five out of twenty six Reviews submitted have been approved by USAID. (A final Environmental Review is still pending a USAID decision);
 - All Projects that went into Implementation had their Environmental Review approved in advance of presentation to their respective Review Committees.
- CAPP's Pesticide Evaluation Report and Safer Use Action Plan (PERSUAP) for cacao and African palm trees was submitted to USAID and approved;
- CAPP's PERSUAP for cassava, rubber, rice, potato, passion fruit, estevia, papayas, banana, chili pepper, asparagus, blackberry, cotton, fique, tree tomato, strawberry, lulo, citrus, carrots, broccoli and sorghum was submitted to USAID, and approved.
- Signed a contract with CAEMA to perform Project follow-up duties regarding Environmental Reviews, and to assist CAPP and its customers in any stage of the environmental compliance process.
- Created Form 514901 to be included as an attachment to grants and contracts, as a means for recipients to report their environmental performance. To date, this form has been customized for six Projects that are now in preparation for Implementation.

2) Contratiempos Identified and Resolved

Finance

- Finalization of the Award Budget Format: With input from Compliance, the FT agreed upon a format that includes the information required for the Due Diligence process, and after a support agreement is signed, will help monitor and verify the reimbursement processes.

- Insufficient clarity regarding the documentation needed to support Award Budgets: The process is now moving more smoothly now that the Task Forces are aware of the information needed, and the required support. However, the information required for the Due Diligence process is sometimes difficult for the proponents to obtain.
- Possibility of adjusting the Award Budget to the Inflation Rate Forecast by DNP: This is a CAPP financial analysis issue given that new contracts were being signed with an LOP greater than one year. However, CAPP agreed to keep prices constant, and make revisions to the initial budget only when needed.
- The fact that most of the information must be prepared and delivered in English has been a setback in the completion of the Due Diligence process. The FT spends a lot of time correcting the wording of documents, and/or translating them.
- The new requirement to report tax returns electronically was a challenge, but we were able to overcome it.

Agribusiness

- Discussed and provided suggestions for overcoming bio-data, and other due diligence issues, regarding proposals.
- Helped finalize the status of Incuagro for the four proposals for which Incuagro might be a CAPP proponent.
- Finalize CAPP policies regarding whether CAPP can take proposals to RC for Implementation consideration without their having final Finagro and first-tier bank approvals, and how it will impact CAPP's support of loan coordination activities (i.e., the latter as a separate FOG, etc.).
- Worked toward resolving the future need for format changes to agribusiness-related forms and attachments.
- Communicate new travel policy and coordination between TFLs, CoP, Finance and Agribusiness department, and task force members.
- Finalize any outstanding proposal transfers from TF1 to TF2.
- Determine whether CAPP employees should become contractors, given the financial advantages to CAPP employees of doing so.

Task Force 2

- Incuagro was determined by USAID to be a public company, and therefore not able to receive CAPP support. This required restructuring Projects #035 and #095, thus delaying development.
- Modifications proposed by Compliance to the documentation necessary to support an Award Budget, and some changes on the Award Budget structure. Unfortunately, these changes caused some delays in gathering the required information from customers, but the new requirements have now been incorporated into normal procedures;
- CAPP structural changes caused a short term delay while transferring Projects from TF1 to TF2, and between PCs, but this transfer has now been completed.

Task Force 1

- Requested Corpoica to do a technical feasibility report regarding planting cacao in Tumaco. CAPP believes the agronomics of cacao production in this area is questionable, regarding proposal #047;
- Financially restructured all nine Plan Colombia Proposals to make them CAPP-eligible, bankable, and structured with strong reliance on the private sector style;
- Identified and invited ProCaoucho to become an operator for Project #127;
- Identified a number of suppliers of planting material cacao and plantain, for CAPP cacao Projects;
- Proposed a solution for nursery stock that is getting toward maturity regarding two CAPP proposals. This would involve CAPP making an exception to its normal practice of providing relatively low support to operating costs, but would guarantee faster and reliable Implementation of Plan Colombia cacao Projects;
- The proponent profiles of Plan Colombia proposals differ markedly, and the specific characteristics of some of the producer organizations involved have made proposal development take a little longer than initially expected.

Compliance

- Re-work the financial budget template to expedite the Finance and Compliance review process, and to help Compliance draft the Negotiation Memorandum in a more expedient manner.

M&E

- The person providing support to CAPP M&E activities resigned, and a new professional, Miss Juliana Orozco, was recruited and joined CAPP via a subcontract with Corporación Grupo Gestor.

Environment

- Some Environmental Reviews had their approvals delayed waiting for approval of the PERSUAP mentioned previously in this document. Fortunately no Project was delayed due to environmental issues, and once the PERSUAP was approved a number of pending Environmental Reviews were approved.

5.0 Key Contratiempos and Constraints

This section outlines some of the more significant contratiempos that the CAPP Team will be working to resolve during the Fourth Quarter, and potential constraints to CAPP's rapid and/or effective implementation. CAPP is working diligently and cooperating with USAID to minimize the potential negative impact of the constraints, and in most cases has developed the means to overcome potential constraints previously reported.

5.1 Contratiempos to be Resolved by Department

5.1.1 Contratiempos that still need to be Resolved

Finance

- Information for the Due Diligence process is still missing from the proponents of Projects #048, #123, #124, #125P and #127.
- Projects #125 and #126 are closely linked to the construction of a crushing plant, Project #125P, given that without a crushing plant these Projects cannot succeed. It is therefore necessary to produce a schedule to match plant completion and expansion to the planting schedule of #125 and #126, essentially linking CAPP disbursements to the timely development of all three Projects.
- The PCs and the TFL also have yet to deliver the signed Agribusiness Input Form of the Projects mentioned above. We have decided to skip the Projects in the last stage of preparation from this requirement, but all future proposals must have this form completed prior to the start of DD work.
- It is the Financial Team's suggestion that CAPP continue to work together to enhance teamwork within and between working groups.
- Agreement with the Agribusiness Team on the "Project Validation and Approval Record Sheet." We are in the process of applying the new tax exemption law for Projects in Implementation. The "Revisor Fiscal" will be sending us the new certification document.
- The utilization of electronic banking via Internet will significantly speed up invoice payments, and make all banking activities more efficient.
- Register the new legal representative for CAPP, as well as the new term of CAPP.
- Publish the updated web site.
- Complete a Statement of Work for an RFP to do a Time and Materials contract for financial audits, and implement all competition requirements to enable CAPP to hire auditors to perform field audits. These would express an opinion on the Fund Accountability Statement of Projects in accordance with the U.S. Government Auditing Standards, including tests of the accounting records and support, as deemed necessary under the circumstances of each Project.

-
- Define and distribute a policy about the responsibility for modifying established policies, procedures, formats, etc., no matter how insignificant they may appear to be. No team member should be allowed to change any procedure or format without the written prior approval of the relevant Advisor.
 - Achieve consensus on the manner we will use to resolve issues involving what/when it is okay to pay customer invoices. Some Projects may be overcharging CAPP. CAPP paying the invoices based on the premise/belief that the charges made are actually incurred costs.
 - A book with a copy of each of our contracts and amendments needs be easily accessible by placing it in a central location so all who have the responsibility to approve invoices can access it.
 - Project Validation and Approval Packages should be passed around in bright yellow folders. Invoices from customers should be passed around in bright red folders. Both actions will facilitate tracking/finding where they are in the process.

Agribusiness

- Improve CAPP's performance regarding forecasting of proposal completion.

Task Force 2

- Who can be the recipient of CAPP support for Projects #095 and #035 (Incuagro seed money was initially used in both Projects)?

Task Force 1

- Proposal development procedures need further streamlining;
- In Tibú, the community is waiting for a visit of Plan Colombia, CAPP and USAID for the "Final Version" of how the Projects will be developed. This needs to be very carefully managed since it is a sensitive political and security issue;
- Proponents continue to require significant hand-holding and support for Project development;
- Proponents need to have an increased familiarity with CAPP Project processing procedures, as this would accelerate the Project development process;
- The Colombian cacao processing industry is reluctant to give firm purchase contracts for cacao production;
- Continue to search for buyers for fermented cacao such as Nestles, etc.
- Continue to look for cacao Project operators and integrators following the African palm model. The cacao processing sector is unfamiliar with the palm model, and is still reluctant to give contracts to growers;
- Investigate the creation of Promocacao C.I (as a "Comercializadora Internacional") with the participation of those either giving or receiving purchase contracts for CAPP cacao Projects with U.S. buyers. One well-managed intermediary/broker could manage all forward contracts;
- Ascertain the interest of Daabon, Tolimax, and Promision in investing in additional processing plant capacity, and giving contracts to CAPP supported grower associations;
- The time and CAPP effort required to fully develop Projects is still an issue;
- Replace Carlos Arango before his departure.

Compliance

- Communicated via an internal memorandum to the Acting COP that Site Visit Reports need to be performed at the field level in accordance with Implementation Step 7 of the CAPP Grants Management Manual.
- Grantees need training regarding CAPP procedures and processes.
- The Compliance Advisor should be included in pre-award responsibility determinations and surveys.

M&E

- The long time taken to get the MERA System Design contract signed has made data management a hard task; this is due to the large amount of information coming from Projects in Implementation; and we are still using Excel spread sheets with a backup in Access to keep this information.

5.1.2 Constraints



5.1.2.1 Long Term CAP Slot for the Compliance Advisor

USAID initially approved a long-term, expatriate Compliance (Grants and Subcontracts) Advisor to be based in Bogotá. However, challenges with CAP restrictions on the number of official Americans that can be in Bogotá at any one time resulted in a Bogotá-based position being put on hold until a CAP slot can be secured. This resulted in the loss of the Compliance Advisor that had been previously recruited by ARD and approved by USAID. This loss and delay caused serious problems for effective CAPP Project approvals and implementation. CAPP very much needs a full-time Compliance Advisor **in Bogotá**. CAPP is doing innovative work and needs intensive assistance from a compliance specialist to be able to expediently develop, sign and implement agreements that are in compliance with USG, USAID, ARD and Government of Colombia rules and regulations.

In an effort to resolve the problem, ARD nominated its Home Office Senior Grants and Contracts Specialist for the CAPP Compliance Advisor position, and USAID accepted her nomination. In the Third Quarter approval was received for a LT CAP slot and Renee Vendetti is scheduled to take up her full time Compliance Advisor post in July 2004.

5.1.2.2 Ability to Sign Agreements Directly with Customers that are also Service Suppliers

This issue is caused by the fact that several of the proposals received by CAPP came from service suppliers that want to develop a project with CAPP support, and then reduce their involvement as the ability of the participants to manage the project themselves is enhanced. This may create either an actual or perceived conflict of interest.

Specifically, several promoters such as Fundalianza have come to us with good proposals that involve their being paid to provide TA and in some cases managerial services to the Project. In the case of Fundalianza several proposals have been presented, including African palm, banana and cacao. We are unclear if there is any reason why we should not be able to sign a support instrument with a promoter such as Fundalianza. We are currently focusing on using a fiduciary in these cases, but this costs a significant amount of money that would not be needed if we were to sign a support instrument directly with a promoter such as Fundalianza. USAID has suggested that we develop a contract directly with a promoter such as Fundalianza for their review, and we will do that. But that could result in a significant amount of wasted effort if the contract is disapproved.

5.1.2.3 Complexity of Services Contracting, Grant Making and Full Cost Control vs. Speed of Proposal Development and Implementation

To achieve our objectives, CAPP will need to complete a substantial number of large subcontracts and grants. All subcontracts and grants need to be consistent with USAID rules and regulations, ARD policies and procedures, and Colombian law. Developing and getting approval for the needed templates, processes and procedures, and gaining agreement on the specific approval procedures for each type and value of subcontract and grant is a substantial task. Considerable CAPP Team and customer fatigue is being experienced regarding complying with the many USAID rules and regulations. We need to have discussions with USAID regarding ways to streamline these processes and minimize the burden on customers, while operating in compliance with important USAID regulations.

5.1.2.4 Essential Early Expenditures for Project Preparation and Agreements

Two issues – One, we understand that USAID regulations do not permit customer expenditures to take place for supported activities before the signing date of an agreement. However, we strongly prefer that project-related loan arrangements be completed before we sign a support agreement with our customer so it is clear that the financing needed for the potential project will be available. One of the types of up-front

financial assistance that CAPP can provide is the cost of arranging the loans. This is often a complex process involving organizing producer groups and helping them apply and qualify for the loans. If we can't support costs incurred prior to agreement signing, but want loans arranged before we sign a contract, we are caught in a Catch 22. We believe we should be able to sign an agreement that includes support for the cost of arranging loans, but make the agreement null and void if the loans aren't approved. In some cases part of the loans get approved and some do not, yet the feasibility assessment of the project was based on a specific number loan approvals, and therefore hectares and families, and those indicator numbers would be less if all of the loans do not get approved. In all cases the decision by CAPP to approve the project and submit it to AID is based on the viability of the project with the loan.

Two, several of the new Plan Colombia projects need very quick up-front financial support for large expenditures related to project preparation such as land leveling and acquisition of nursery stock. This support is expected prior to the time when the project is fully structured and the loan, forward contract and other agreements needed for the project to be successful are complete. In some cases significant expenditures, e.g., a \$900,000 extra cost for land leveling, are required to lower the development cost to where banks will agree to support the project. These expenditures are large and would be made in advance of knowing if the project will be approved or viability is confirmed. This creates a considerable challenge to CAPP's normal proposal development process and is exacerbated by political pressure from the proponent, and in some cases USAID, to provide early support to the potential project. We can provide this support, but need to be certain that USAID approves this deviance from normal CAPP practice, and understands we will be providing substantial support to a project that may never be implemented.

6.0 Contract Modifications, Amendments and Reporting

- On 21 February 2003, Contract Modification #1 was signed to correct the name of the Program and make other minor adjustments.
- On 28 April 2003, Contract Modification #2 was signed to change several key contract provisions and make them consistent with the approved Work Plan.
- On 29 May 2003, Contract Modification #3 was signed to make changes in the Scope of Work and labor hours to reflect changes approved in Modification #2 as well as other minor changes.
- On June 13, 2003 Contract Modification #4 was signed to increase obligated funds to \$16.5 million.
- On October 29, 2003 Contract Modification #5 was approved that required certain tax reporting information from ARD.
- On December 5, 2003 Contract Modification #6 was approved that modified the budget to incorporate a number of line item adjustments.
- On March 15, 2004 Contract Modification #7 increased CAPP's term to December '07 and increased funding by \$18 million.

7.0 Key Activities Planned for Next Quarter

7.1 Launching of Projects

An aggressive effort is being made to complete and sign support agreements for all Projects passed into Implementation by the RC, and to start full implementation of the Projects. In many cases CAPP is not the only source of external support for a Project. Therefore, other contracts must be signed with the customer, bank loans provided, etc. before the Project can actually be launched. However during the Third Quarter one Project was signed, started implementation and crops were being planted. Influential factors that contributed to this were the restructuring of several older projects, the upgrading of compliance documentation led by the Compliance Advisor, and the realignment of CAPP Project Teams. It is anticipated that 10 Projects will be signed and initiated in the Fourth Quarter.

7.2 Proposal Development Expectations

7.2.1 Screening

All proposals have been screened and CAPP's APS/RBP is closed.



7.2.2 Assessment

During the Third Quarter we expect to complete assessment of all three proposals that are in Assessment at the end of the Quarter. Therefore no proposals will still be in Assessment at the end of the Quarter.

7.2.3 Development

By the end of the Fourth Quarter we expect to complete development work on 13 additional proposals, and the RC will pass those 13 into Implementation. Ten proposals will still be in Development. The product to be supported and the cost and anticipated impacts of proposals projected to be in Development at the end of the Fourth Quarter are outlined in Figure 12. While these proposals forecast a total of \$5.2 million in CAPP support, adjustments to the size of the potential Projects, the amount of CAPP support, and the possibility some Projects will not pass into Implementation will very likely result in a lower amount of total CAPP support for those proposals that are actually passed into Implementation. If these proposals pass into Implementation more than 12,490 new hectares will be planted and nearly 6,435 families will be benefited.

FIGURE 12
PROPOSALS EXPECTED TO BE IN DEVELOPMENT
AT THE END OF FOURTH QUARTER



PROPOSAL #	DESCRIPTION	PRODUCT	TOTAL COST (\$000)	CAPP RESOURCES (\$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY BENEFITED
DEVELOPMENT							
1	"Organic cacao for the exports market"	Cacao	\$ 764	\$ 137	17.88%	300	150
7	"Planting of 5,000 Ha of cacao financed by a securitization process"	Cacao	\$ 18,083	\$ 901	4.98%	5,000	5,000
48	"Establishment of 510 Ha of Cacao to benefit 85 producers in the municipalities of Tarqui, Iquira, La Plata, Nataga, Pital and Teruel (Huila)"	Cacao	\$ 2,970	\$ 578	19.45%	510	85
51	"Palm project in San Vicente de Chucuri"	Palm	\$ 2,663	\$ 565	21.21%	1,000	100
59	"Plantating 1,000 Ha. Of Cacao by small producers in Bolivar"	Cacao	\$ 3,118	\$ 231	7.39%	1,000	250
65	"Strengthening of the Yuca Productive chains"	Yuca	\$ 4,265	\$ 348	8.16%	682	250
80	"Proposal to promote natural rubber, through the plantation of 1,000 Ha"	Rubber	\$ 3,367	\$ 880	26.15%	1,000	200
89	"Afrocolombian Associations project with URAPALMA S.A. & EXTRACTORA BAJIRA S.A."	Palm	\$ 6,059	\$ 705	11.64%	2,000	200
117	"Establishment of 1,000 Has of Cacao under the entrepreneurial scheme in the Municipality of Maceo, Antioquia"	Cacao	\$ 2,363	\$ 315	13.32%	1,000	200
125P	"Establishment of African Palm Processing Plant"	Palm (Processing Plant)	\$ 2,618	\$ 557	21.26%	0	0
TOTAL			\$ 46,272	\$ 5,216	11.27%	12,492	6,435

Total: 10 proposals

7.2.4 Implementation

During the Fourth Quarter, we anticipate the RC will pass thirteen additional proposals into Implementation. The product, cost, CAPP contribution, and impact on hectares and families of these

Projects, plus the 12 already passed into Implementation, for a total of 25 Projects, are outlined in Figure 13. Assuming all of these proposals become approved Projects and the size and CAPP contribution remains the same, CAPP will be committing \$18 million, or 13.1% of the total cost of \$137.2 million, to implement Projects located in areas currently influenced by illicit drug production. If these projections become reality, more than 45,123 new hectares will be planted and more than 12,670 families will be directly benefited.

7.2.5 Status of Proposal Development at the End of the Fourth Quarter

A summary of the anticipated status of proposals and Projects at the end of the Fourth Quarter is shown below in Figure 14. This figure shows both the number of proposals by stage and the percentage of all proposals received as of 30 September 2004. This figure also shows that 27% of all proposals received are likely to be passed into at least the Development stage by the end of the Fourth Quarter, and 19% of all proposals received by CAPP will be in Implementation.

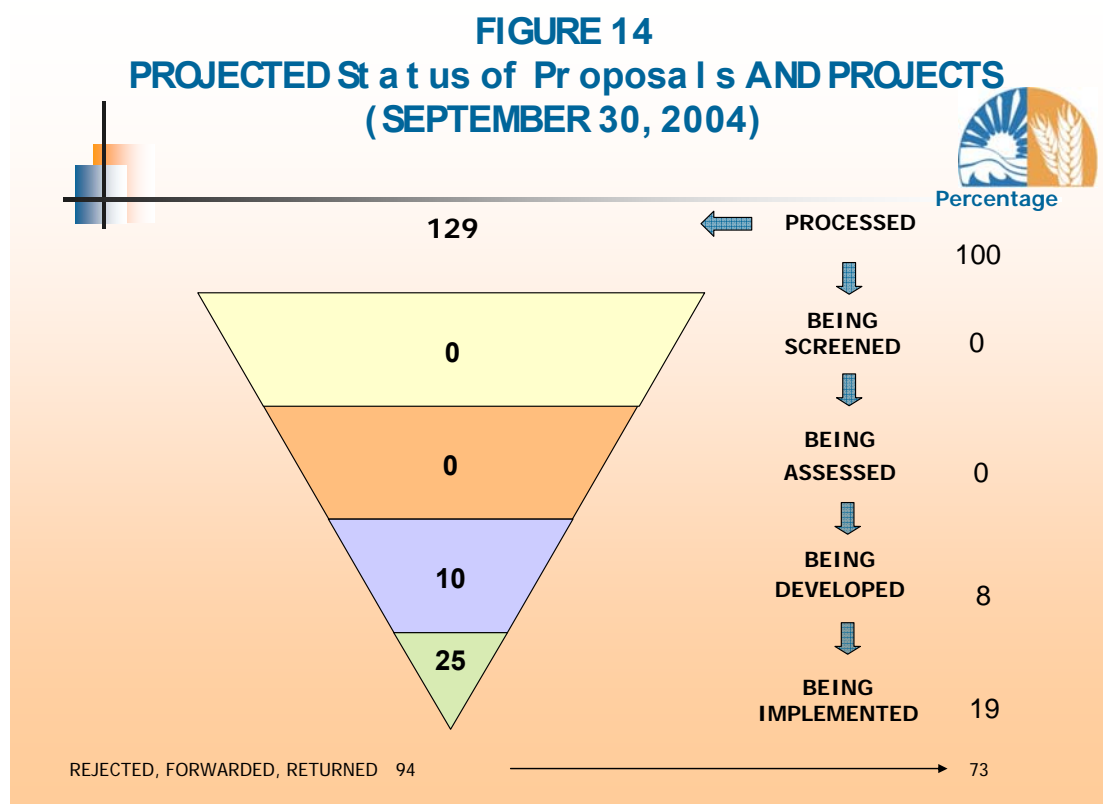
FIGURE 13

PROPOSALS EXPECTED TO BE IN IMPLEMENTATION AT THE END OF FOURTH QUARTER



PROPOSAL NUMBER	DESCRIPTION	PRODUCT	TOTAL COST (\$000)	CAPP RESOURCES (\$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY BENEFITED
IMPLEMENTATION							
12	"Fruit pulps for the national and exports market"	Fruit Pulp	\$ 4,827	\$ 518	10.74%	670	1,005
23	"Passion Fruit proposal in Atlantic Coast"	Passion Fruit	\$ 7,038	\$ 698	9.91%	1,483	813
25	"Strengthening of the Productive chains of FIQUE in Caldas, Nariño and Risaralda"	Fique	\$ 1,228	\$ 235	19.10%	800	1,334
27	"Production and marketing of Fique in Cauca"	Fique	\$ 1,024	\$ 142	13.84%	600	1,000
29	"Production of chili paste and its derivatives for the exports market"	Chilis	\$ 1,102	\$ 147	13.35%	135	1,952
31	"Association of African Palm Growers to produce 1.130 Ha"	Palm	\$ 2,072	\$ 309	14.93%	1,130	111
32	"Association of African Palm Growers to produce 1.560 Ha"	Palm	\$ 2,856	\$ 232	8.11%	1,560	91
35	"Agroindustrial project for the planting of Palm in South Bolívar"	Palm	\$ 7,692	\$ 824	10.71%	2,000	200
40	"Strengthening of the cacao productive chains in Department of Huila"	Cacao	\$ 3,345	\$ 711	23.93%	600	200
41	"Production of Cotton in the North of Cesar and South of Guajira"	Cotton	\$ 4,688	\$ 222	4.73%	4,986	274
45	"Planting of 2,100 Ha of African Palm in the Magdalena Medio Santandereano"	Palm	\$ 4,259	\$ 877	20.60%	2,100	210
46	"Planting and marketing of 1,000 has. Of Cacao in La Gloria, Cesar"	Cacao	\$ 5,554	\$ 1,207	21.73%	1,000	200
50	"Planting and maintenance of 400 Has. Of African Palm in Monterrey and Simiti to substitute illicit crops in the South of Bolívar"	Palm	\$ 851	\$ 64	7.56%	400	100
52	"Securitization- 2,858 Ha of African Palm"	Palm	\$ 18,559	\$ 742	4.79%	5,858	837
56	"Planting and consolidation of 1.732 Has of African Palm in Santa Marta, El Copey and Chiguana (Cesar)."	Palm	\$ 3,177	\$ 268	8.43%	1,732	211
64	"Consolidation of small producers of African palm in Tumaco, Nariño"	Palm	\$ 9,803	\$ 923	9.42%	3,054	436
79	"Planting of 2000 Has. Of Organic Cacao in the Sierra Nevada, Santa Marta. And the setting up of a production plant to process the cacao"	Cacao	\$ 7,642	\$ 813	10.63%	1,500	524
82	"Planting of 400 Has. Of bananas for the export market in the Zona Bananera in Magdalena"	Banana	\$ 2,821	\$ 298	10.58%	400	60
95	"Extension of Tomate de Arbol project executed by the SOCIEDAD ANÓNIMA FRUTIMACIZO EN SOTARÁ (CAUCA) E ISNOS (HUILA)"	Tomate de Arbol	\$ 1,558	\$ 98	6.27%	250	250
119	"Agribusiness project for the plantation and consolidation of 5,000 Ha of African palm in the Magdalena Medio Boliviense"	Palm	\$ 10,411	\$ 1,938	18.61%	5,000	1,400
123	"Establishment of 1,700 Ha of Cacao to benefit 340 families in the municipalities of Sardinata, Cúcuta and Puerto Santander (Norte de Santander)"	Cacao	\$ 6,286	\$ 1,314	21.10%	1,500	340
124	"Establishment of 1,665 Ha of Cacao to benefit 333 families in the municipality of Zulia (Norte de Santander)"	Cacao	\$ 7,435	\$ 1,250	16.81%	1,665	333
125	"Establishment of 4,000 Ha of African Palm to benefit 400 families in the municipalities of Tibu, San Martín de Loba and Sardinata (Norte de Santander)"	Palm	\$ 13,379	\$ 2,475	18.50%	4,000	400
126	"Establishment of 1,500 Ha of African Palm to benefit 150 families in the municipality of Tibu (Norte de Santander)"	Palm	\$ 5,023	\$ 1,127	22.43%	1,500	150
127	"Establishment of 1,200 Ha of Cacao to benefit 240 families in the Department of Santander"	Cacao	\$ 4,537	\$ 585	12.89%	1,200	240
TOTAL			\$ 137,166	\$ 18,016	13.13%	45,123	12,671

Total: 25 proposals



7.3 Other Fourth Quarter Activities

The following sections outline the main Fourth Quarter Activities of each CAPP Department.

3) Most Important Objectives for the Fourth Quarter

Finance

- Complete due diligence on all Projects scheduled by the TF teams and COP to be completed in the quarter.
- Complete the process for hiring independent auditors to audit our Projects in Implementation.
- Develop a system to more quickly process invoices received from customers.
- Develop a system for FT personnel to perform mini-audits prior to the completion of a Project, and prior to the external audit.
- Assist the new COP in understanding established policies, procedures, and formats.
- Work with Compliance to resolve possible over billing issues and define the invoice adjustment policy and procedures that may be needed.
- Work with Compliance to define what would constitute "Salary" considering the Colombian Laws and regulations and the Reimbursable Cost Principles as defined by the U.S. Office of Management and Budget Circular A-122 and any other rules set by the USAID as necessary.
- Agree with COP and Compliance on the manner in which we will communicate, resolve and document any future findings of conflict of interest.
- Compile a printed version of all Policies and Procedures utilized by the Finance staff, including those called "ARD/CAPP Financial Compliance Policy Papers"
- Compile a printed version of all Policies and Procedures utilized by the Controller (not related to personnel issues).

Agribusiness

-
- Finalize and gain internal approval for the PDs, Award Budgets and other documentation needed in order to take the following proposals to the Implementation Review Committee:
 - #048, #095, #065 (Pre-Implementación), #064, #050, #082, #045, #046, #035, #040, #052, #059, #119, #123, #125P, #124, #127.

Task Force 2

- Meet with Fedepalma to understand how C.I. Acepalma was developed and is managed, to use that experience to help CAPP cacao Projects to export future production, e.g. the potential development of the organization CI Promocacao.
- Continue to review and process clients' invoices, and do on-site follow-up on Projects which appear to be potentially behind schedule.
- Participate on designing a strategy to create C.I. Promocacao, or a similar organization, to improve the export opportunities of cacao Projects.
- Work closely with the CAPP team to improve the quality and timing of the internal processing of proposals to Implementation.

Task Force 1

- Review the two additional Tibú (previous Chemonics') Projects transferred to CAPP by USAID, design a plan to resolve their specific challenges, and to supervise their continued development.;
- Organize a Bogotá cacao processors meeting with those willing to give CAPP proponents purchase contracts;
- Organize a Washington Cacao Processors Meeting between potential and existing cacao processors, to organize back-to-back contracts for Colombia buyers of commodity cacao from CAPP Projects;
- Complete a feasibility study to create C.I. Promocacao S.A. that will consolidate processed cacao offerings to U.S. industry, and guarantee growers will have contracts; and
- Establish and design a plan for supervising the Implementation of TF1 Projects.

Compliance

- Fully document Compliance's recommendations for Project site visits.
- Develop training materials and an agenda for new grantee training.
- Perform pre-award responsibility determinations and surveys.

M&E

- Get the MERA contract signed, and the new system running, to make it easier to produce reports and manage M&E information.
- Perform initial verifications for Projects going into Implementation.
- Perform subsequent verifications for at least 4 Projects already in Implementation.

Environment

- Continue to prepare and deliver Environmental Reviews. This process takes an average of forty days to complete for each Project, and should be completed before a Project is presented to the Review Committee.
- Continue environment-related follow up on Projects that are passed into Implementation.
- Monitor Implementation of the Environmental Plans for the 12 Projects that have been passed into Implementation, and are submitting periodic reports on their environmental performance.



	6							
5								
5								

9.0 Progress Toward SO2 Goals

9.1 Realized Impact on Key Indicators

Since twelve Projects had actually begun implementation as of 30 June, a modest realized positive impact on new hectares (18,050) and families (7,851) can be reported for the Third Quarter. The number of hectares planted, the number of families that have benefited, workdays created, and additional sales generated by Project, for Projects that have reported this data (#012, #023, #029, #031, #032, #041, #050, #056, #064, and #079) are shown below. Annual crops such as cotton provide an almost immediate impact after implementation begins in terms of New Hectares planted and Workdays Created. Families Benefiting and Value of Sales generated take somewhat longer, but are usually realized within 8 months of Project launch. Projects involving tree crops such as cacao, African palm, and fruits require a longer time period for planting, maturity and harvest to take place, and therefore for benefits to be derived such as Value of Sales and increased family income.

We do not start to receive Workdays and Sales Generated until M&E reporting begins after all implementation contracts are signed for a given Project. The data shown below are from the reported results of the twelve Projects in implementation, six of which have reported this information to date. The next section (9.2) reports Anticipated Impacts from Projects.

- IR 1.1 – Number of NGO/association implementing AD Activities that are strengthened – 57
- IR 3.3 – Number of families benefiting from licit productive activities in coca areas – 1,357
- IR 3.4 – Number of families benefiting from licit productive activities in poppy areas – 30
- IR 3.5 – Number of new hectares of licit crops supported in coca areas – 8,116
- IR 3.6 – Number of new hectares of licit crops supported in poppy areas – 38
- IR 3.71 – Female workdays created by supported Projects – 46,204
- IR 3.72 – Male workdays created by supported Projects – 446,021

-
- IR 3.8 – Value of sales of supported Projects – \$5,737,177

* Project #041 projected that 195,000 workdays were created, extensively due to the labor intensity of cotton production, but these data have not been gender disaggregated.

9.2 Anticipated Impacts on Key Indicators

9.2.1 Projects Currently in Implementation

For the twelve Projects passed in Implementation by the end of the Third Quarter, the following Impacts are anticipated.

- IR 3.3 – Number of families benefiting from licit productive activities in coca areas – 5,021
- IR 3.4 – Number of families benefiting from licit productive activities in poppy areas – 2,830
- IR 3.5 – Number of new hectares of licit crops supported in coca areas – 15,944
- IR 3.6 – Number of new hectares of licit crops supported in poppy areas – 2,106
- IR 3.71 – Female workdays created by supported Projects – 531,094
- IR 3.72 – Male workdays created by supported Projects – 1,576,591
- IR 3.8 – Value of sales of supported Projects – \$16,903,585

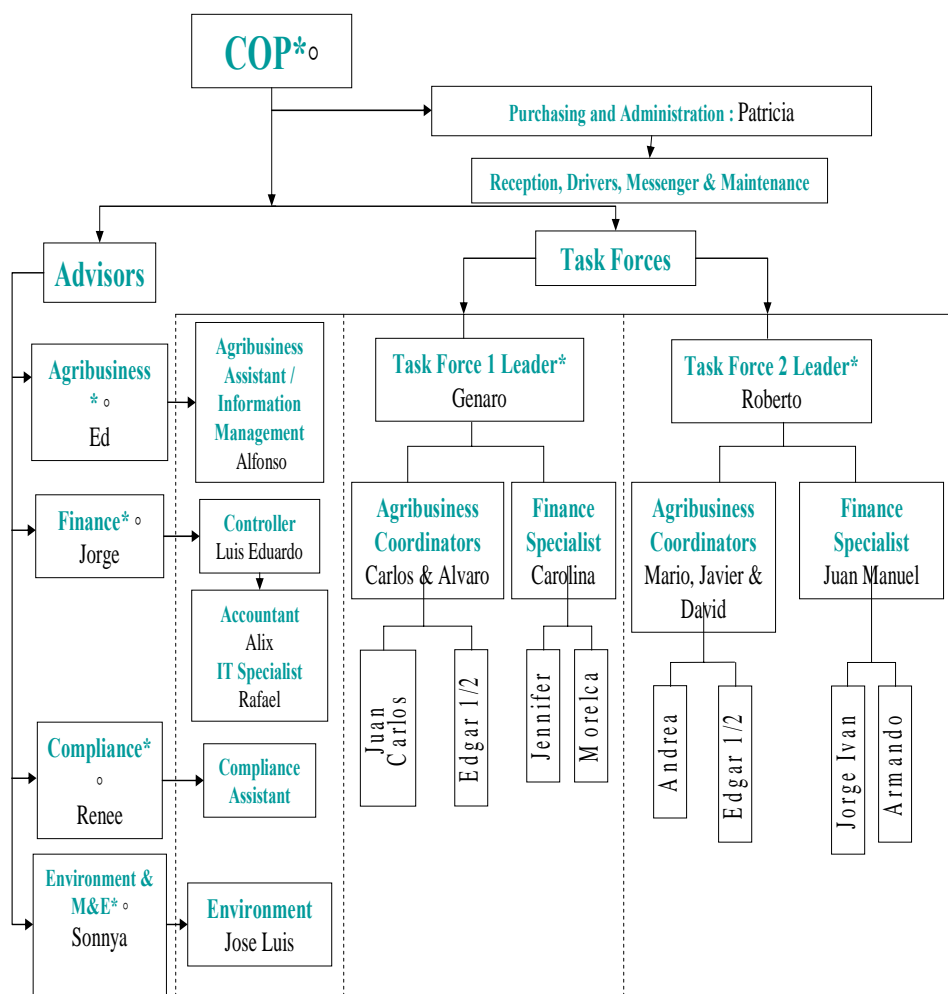
9.2.2 Projects Anticipated to be in Implementation by the end of the Third Quarter

Assuming the above forecast of Projects that will be in Implementation by the end of the Fourth Quarter becomes reality, the eventual positive impact of those 25 Projects on Hectares and Families is shown below.

- IR 3.3 – Number of families benefiting from licit productive activities in coca areas – 10,041
- IR 3.4 – Number of families benefiting from licit productive activities in poppy areas – 2,830
- IR 3.5 – Number of new hectares of licit crops supported in coca areas – 43,017
- IR 3.6 – Number of new hectares of licit crops supported in poppy areas – 2,106
- IR 3.71 – Female workdays created by supported Projects – TBD
- IR 3.72 – Male workdays created by supported Projects - TBD
- IR 3.8 – Value of sales of supported Projects – \$ TBD

If these rough projections come to fruition, we forecast achieving 322% of our families' benefited objective, and 226% of our new hectares planted objective, with just those Projects passed into Implementation during the first 17 months of CAPP.

Appendix 1 CAPP Organizational Chart



FOOT NOTE: * Management Committee; ° Review Committee

Appendix 2

Proposal Status Report as of 06/30/04

#	ORDER	COMPANY	PRODUCT	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %
IMPLEMENTATION								
1	12	C.I. AGROFRUT S.A.	FRUIT PULP	670	1,005	\$ 4,827	\$ 518	10.73%
2	23	CEA	PASSION FRUIT	1,483	813	\$ 7,038	\$ 663	9.42%
3	25	CIA. DE EMPAQUES DE MEDELLÍN	FIQUE	800	1,334	\$ 1,228	\$ 235	19.10%
4	27	EMPAQUES DEL CAUCA	FIQUE	600	1,000	\$ 1,024	\$ 142	13.84%
5	29	HUGO RESTREPO Y CIA.	PEPPERS	135	1,952	\$ 1,102	\$ 147	13.35%
6	31	C.I. TEQUENDAMA S.A.	PALM	1,130	111	\$ 2,072	\$ 308	14.89%
7	32	EL ROBLE S.A.	PALM	1,560	91	\$ 2,856	\$ 231	8.10%
8	41	9 PATRIMONIOS	COTTON	4,986	274	\$ 4,688	\$ 246	5.25%
9	50	COPROAGROSUR S.A. - C.B.I.	PALM	400	100	\$ 851	\$ 64	7.56%
10	56	GRADESA S.A.	PALM	1,732	211	\$ 3,177	\$ 267	8.42%
11	64	CORDEAGROPAZ	PALM	3,054	436	\$ 9,803	\$ 923	9.42%
12	79	ECO-BIO COLOMBIA LTDA.	CACAO	1,500	524	\$ 7,642	\$ 812	10.63%
TOTAL:			12	18,050	7,851	\$ 46,308	\$ 4,558	9.84%

#	ORDER	COMPANY	PRODUCT	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %
DEVELOPMENT								
1	1	FEDECACAO	CACAO	300	150	\$ 764	\$ 137	17.88%
2	7	FEDECACAO AGRORED	CACAO	5,000	5,000	\$ 18,083	\$ 901	4.98%
3	24	BIO-STEVEA	STEVEA	200	600	\$ 1,384	\$ 250	18.06%
4	35	INCUAGRO	PALM	2,000	200	\$ 7,692	\$ 824	10.71%
5	40	NANYANVA	CACAO	600	200	\$ 3,345	\$ 711	21.26%
6	45	PALMARES EL PORTICO LTDA.-USAID	PALM	2,100	210	\$ 4,259	\$ 877	20.60%
7	46	INTERPROYECTOS-USAID	CACAO	1,000	200	\$ 5,554	\$ 1,207	21.73%
8	48	FEDECACAO-USAID	CACAO	510	85	\$ 2,970	\$ 578	19.45%
9	51	FANAGRA S.A.	PALM	1,000	100	\$ 2,663	\$ 565	21.21%
10	52	PROPALMA	PALM	5,858	837	\$ 18,559	\$ 742	4.00%
11	59	PROMOTORA HACIENDA LAS FLORES S.A.	CACAO	1,000	250	\$ 3,118	\$ 231	7.39%
12	65	IND. DEL MAIZ S.A.	YUCCA	682	250	\$ 4,265	\$ 348	8.16%
13	80	FEDECAUCHO	RUBBER	1,000	200	\$ 3,367	\$ 880	26.15%
14	82	ASBAMA	BANANA	400	60	\$ 2,821	\$ 298	10.58%
15	95	FRUTIMACIZO S.A.	TAMARILLO	250	250	\$ 1,514	\$ 118	7.80%
16	119	C.I. TEQUENDAMA S.A.	PALM	5,000	1,400	\$ 10,411	\$ 1,938	18.61%
17	123	FUNDACION CATATUMBO - FUNDESCAT - USAID	CACAO	1,500	340	\$ 6,286	\$ 1,314	20.91%
18	124	UT ALDEA EXPORT & IMPORT Y EL MINI-DISTRITO DE RIEGO EL TRIUNFO LA ALEJANDRA - USAID	CACAO	1,665	333	\$ 7,435	\$ 1,250	16.81%
19	125	UT ASOGPADOS Y PROMOTORA HACIENDA LAS FLORES - USAID	PALM	4,000	400	\$ 14,710	\$ 2,559	17.39%
20	126	EMPRESA DE SERVICIOS TÉCNICOS AGROPECUARIOS Y DE MEDIO AMBIENTE- ESTAM - USAID	PALM	1,500	150	\$ 4,596	\$ 1,168	25.41%
21	127	CORPOICA - USAID	CACAO	1,200	240	\$ 4,537	\$ 585	12.89%
22	125P	UT ASOGPADOS Y PROMOTORA HACIENDA LAS FLORES - USAID	PALM PROCESSING PLANT	0	0	\$ 2,618	\$ 557	21.26%
TOTAL:			22	36,765	11,455	\$ 130,951	\$ 18,036	13.77%

#	ORDER	COMPANY	PRODUCT	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %
ASSESSMENT								
1	47	COAGROPACIFICO LTDA-USAID	CACAO	600	120	\$ 1,029	\$ 228	22.12%
2	89	URAPALMA S.A.	PALM	2,000	200	\$ 6,059	\$ 705	11.64%
3	117	SOCIEDAD PROMOTORA DE CACAO DEL MAGDALENA MEDIO S.A. - MACEO	CACAO	1,000	200	\$ 2,363	\$ 315	13.32%
TOTAL:			3	3,600	520	\$ 9,451	\$ 1,248	13.20%

#	ORDER	COMPANY	PRODUCT	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %
INACTIVE UNTIL ACTIONS OUTSIDE CAPP CONTROL ARE TAKEN								
1	5	VALOR Y ESTRATEGIA	PALM	3,000	600	\$ 6,653	\$ 1,200	18.04%
2	8	PROPALMA	PALM	10,000	1,000	\$ 80,000	\$ 800	1.00%
3	14	COMMODITIES & BANCA DE INVERSION S.A.	PALM	3,270	1,750	\$ 9,237	\$ 314	3.40%
4	16	COMMODITIES & BANCA DE INVERSION S.A.	ALCOHOL	15,000	2,000	\$ 22,261	\$ 680	3.05%
5	18	EMPRESA ASOCIATIVA DE TRABAJO	RUBBER	2,000	200	\$ 6,277	\$ 541	8.61%
6	19	BAMBU DE COLOMBIA S.A.	GUADUA	640	226	\$ 2,103	\$ 448	21.30%
7	20	PANACA	MILK	1,800	600	\$ 11,658	\$ 500	4.29%
8	22	IDEAS PARA LA PAZ	YUCCA, CORN, BEAN	400	50	\$ 633	\$ 72	11.35%
9	26	CONTINENTAL FOODS	YUCCA AND OTHERS	1,820	455	\$ 2,959	\$ 521	17.61%
10	33	VALLENPAZ	CACAO	0	0	\$ 0	\$ 0	0.00%
11	37	OPCIONES AGROPECUARIAS S.A.	LIVESTOCK	96,000	400	\$ 57,931	\$ 0	0.00%
12	38	COMPAÑIA AGRICOLA COLOMBIANA	COTTON AND CORN	400	160	\$ 266	\$ 103	38.78%
13	43	COMMODITIES & BANCA DE INVERSION S.A.	PALM	5,000	1,000	\$ 15,493	\$ 186	1.20%
14	44	INDUPALMA S.A.	PALM	1,300	100	\$ 2,713	\$ 407	15.00%
15	49	BIOAGRO SALAHONDA S.A.-USAID	CACAO	500	170	\$ 937	\$ 375	40.00%
16	53	COMITÉ CAFETEROS DE CAUCA	BEE HONEY	0	0	\$ 54	\$ 37	68.89%
17	57	A.N.S.A. - C.I.	SHIITAKE MUSHROOM	0	800	\$ 1,742	\$ 1,000	57.40%
18	58	A.N.S.A. - C.I.	POTATOE	775	200	\$ 2,266	\$ 981	43.29%
19	60	FUNDACION CARVAJAL	BLACKBERRY	400	300	\$ 318	\$ 166	52.31%
20	62	DEL ALBA S.A.	MACADAMIA NUT AND COFFEE	2,000	2,000	\$ 3,793	\$ 0	0.00%
21	67	AGROESPECIALES DE COLOMBIA	CORN	117	0	\$ 14	\$ 0	0.00%
22	68	COMITÉ CAFETEROS DE CALDAS	COFFEE	23,360	1,143	\$ 0	\$ 1,993	0.00%
23	70	CORSEDA	SERICULTURA	0	260	\$ 170	\$ 120	70.63%
24	73	COOAPICA	MIEL DE ABEJA, POLEN DE FLORES, PROPÓLEOS, CERA DE ABEJAS, JALEA REAL	200	0	\$ 0	\$ 386	0.00%



#	ORDER	COMPANY	PRODUCT	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %
INACTIVE UNTIL ACTIONS OUTSIDE CAPP CONTROL ARE TAKEN								
25	75	FUNDACIÓN MI VEREDA	YUCCA	520	329	\$ 229	\$ 160	70.00%
26	76	COALCESAR	IRRIGATION DISTRICT: COTTON, SORGUM, RICE AND OTHERS	0	0	\$ 7,257	\$ 214	2.95%
27	77	FUNDACION AMANECER	CITRICS	260	228	\$ 749	\$ 438	58.52%
28	81	PROCEAL S.A.	TILAPIA	350	60	\$ 1,539	\$ 345	22.41%
29	87	CARIBBEAN SESAME S.A.	SESAME	1,000	1,000	\$ 69	\$ 69	100.00%
30	88	PIN S.A.	ASPARAGUS	90	66	\$ 1,006	\$ 245	24.36%
31	91	ESGO CORPORATION LTDA.	FRUTAS VERDURAS HORTALIZAS	900	3,300	\$ 1,000	\$ 600	60.00%
32	92	UT ECONAT & CIPAV	DEHYDRATED FRUITS	0	0	\$ 0	\$ 0	0.00%
33	93	UT ECONAT & CIPAV	FRUIT PULP	1,080	180	\$ 295	\$ 135	45.76%
34	97	INCUBADORA DE AGRUPAMIENTOS AGROINDUSTRIALES DEL URABÁ	CACAO	1,000	300	\$ 189	\$ 77	40.90%
35	100	AGROLINK INTERNATIONAL	CENTRO DE INSPECCIÓN	0	100	\$ 150	\$ 0	0.00%
36	101	COMITÉ CAFETEROS DE CALDAS	RUBBER	80	30	\$ 488	\$ 114	23.36%
37	104	CLICK POINT PROMOTORA EMPRESARIAL S.A.	RUBBER	1,000	280	\$ 1,240	\$ 0	0.00%
38	105	ALYAL S.A.	STEVIA	50	150	\$ 498	\$ 192	38.50%
39	106	FUNDACIÓN ESPAVÉ	PALM	1,100	200	\$ 275	\$ 239	86.93%
40	109	AGROPECUARIA LA LOMA	PALM	600	20	\$ 1,104	\$ 64	5.79%
41	110	CAUCHOPAR	RUBBER	200	40	\$ 468	\$ 47	10.00%
42	111	ASOPRODUCCAO	CACAO	2,000	0	\$ 4,451	\$ 0	0.00%
43	112	COMPAÑÍA AGROPISCICOLA DEL HUILA S.A.	TILAPIA, CACHAMA BLANCA AND ANIMAL FEED	0	0	\$ 397	\$ 144	36.37%
44	113	COMPAÑÍA AGROINDUSTRIAL YUQUERA SAN JUAN DE ARAMA S.A.	YUCCA	480	178	\$ 410	\$ 49	12.00%
45	118	JORGE ARTURO DIAZ REYES	STEVIA	350	0	\$ 497	\$ 393	79.10%
46	121	CORPORACION COLOMBIA INTERNACIONAL	CACAO	600	45	\$ 1,984	\$ 178	8.96%
TOTAL:								
			46	179,642	19,919	\$ 251,770	\$ 14,532	5.77%

#	ORDER	COMPANY	PRODUCT	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %
REJECTED OR OTHERWISE REMOVED FROM CONSIDERATION								
1	2	CONALGODON	COTTON	21,276	5,319	\$ 8,832	\$ 951	10.77%
2	3	U. DE CORDOBA DEPTO. DE AGRONOMIA	STEVIA	0	0	\$ 1,346	\$ 862	64.04%
3	4	HUERTO SAN MIGUEL S.A.	APPLES	250	250	\$ 3,373	\$ 475	14.08%
4	6	EUROSEMILLAS	TOMATOE	20	100	\$ 2,807	\$ 257	9.16%
5	9	AGROGESTION XXI / CORDESA	YUCCA	350	42	\$ 173	\$ 82	47.40%
6	10	RIAGRO INTERNATIONAL S.A.	IRRIGATION DISTRICT	6,300	289	\$ 22,120	\$ 1,096	4.95%
7	11	PLAN COLOMBIA-D.ALTERNATIVO	7 PALM, 1 CAUCHO, 1 CAÑA	10,250	1,300	\$ 15,314	\$ 71	0.46%
8	13	COMMODITIES & BANCA DE INVERSION S.A.	TILAPIA	22	30	\$ 1,629	\$ 342	20.99%
9	15	MADECOSTA S.A.	COTTON	8,000	1,000	\$ 7,829	\$ 866	11.06%
10	17	PIZANO S.A.	FORESTAL	2,000	93	\$ 658	\$ 266	40.43%
11	21	C.I. BANACOL	PLATANO	3,500	1,000	\$ 1,685	\$ 1,463	86.82%
12	28	AMIAGRO	CACAO	400	1,000	\$ 2,388	\$ 1,049	43.91%
13	30	COMITÉ CAFETEROS DE RISARALDA	COFFEE	1,500	750	\$ 1,089	\$ 718	65.93%
14	34	PADELPA	PALM	1,500	0	\$ 1,391	\$ 510	36.67%
15	36	AGROTROPICO	FERTILIZERS	5,850	0	\$ 1,128	\$ 0	0.00%
16	39	CONSULTOR	SERICULTURA	30	100	\$ 0	\$ 200	0.00%
17	42	PRODUCTORA DE JUGOS S.A.	MORA	200	155	\$ 1,653	\$ 576	34.84%
18	54	FUNDESINPA	CORN, SORGUM, SOY, ají, piña	1	180	\$ 0	\$ 0	0.00%
19	55	AGROFORESTAL DEL MICAY	FORESTAL	5,000	80	\$ 685	\$ 509	74.31%
20	61	CIA. AGRICOLA ESPARRAGOS S.A. CAESA	Esparragos	42	55	\$ 0	\$ 0	0.00%
21	63	NESTOR GONZALEZ MEJIA	YUCCA	600	400	\$ 229	\$ 229	100.00%
22	66	IND. DEL MAIZ S.A.	CORN, SOY	4,467	1,650	\$ 3,730	\$ 324	8.69%
23	69	COALTERCAFE	CORN	6,000	3,906	\$ 15,668	\$ 393	2.51%
24	71	COOSERVES	BEAN, CORN, tomate de arbol	150	60	\$ 0	\$ 51	0.00%

#	ORDER	COMPANY	PRODUCT	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %
REJECTED OR OTHERWISE REMOVED FROM CONSIDERATION								
25	72	COOSERVES	Tomate, MILK, peces	184	50	\$ 0	\$ 121	0.00%
26	74	DULCES RINCONCITO	Panela de guayaba, bocadillo de guayaba, Dulce de guayaba coin manjar blanco	8	8	\$ 0	\$ 12	0.00%
27	78	FUNDALIANZA	BANANA	50	20	\$ 316	\$ 27	8.62%
28	83	CÁMARA COMERCIO ARMENIA, U. DEL QUINDÍO, Otros.	SPECIAL COFFEE	10,000	5,000	\$ 275	\$ 193	70.00%
29	84	NATURA FLOWERS Y CORPULMUNDO	FLOWERS	25	206	\$ 368	\$ 241	65.61%
30	85	ANTIOQUEÑA DE PORCINOS P&C LTDA	Porcinos	136	328	\$ 343	\$ 0	0.00%
31	86	C.I. SAN ALBERTO MAGNO S.A.	GANADO	176	0	\$ 2,105	\$ 0	0.00%
32	90	UT ASOGPADOS & PROMOTORA HACIENDA LAS FLORES	PALM	1,000	143	\$ 1,917	\$ 152	7.91%
33	94	UT ECONAT & CIPAV	MILK BASED PRODUCTS	300	150	\$ 147	\$ 60	40.93%
34	96	INCUBADORA DE AGRUPAMIENTOS AGROINDUSTRIALES DEL URABÁ	HARINA DE PLATANO	140	224	\$ 72	\$ 15	21.20%
35	98	INCUBADORA DE AGRUPAMIENTOS AGROINDUSTRIALES DEL URABÁ	CACAO	90	306	\$ 197	\$ 82	41.66%
36	99	INCUBADORA DE AGRUPAMIENTOS AGROINDUSTRIALES DEL URABÁ	PESCADO AND MARISCOS	0	0	\$ 143	\$ 15	10.63%
37	102	UMATA (SILVIA-CAUCA)	HORTALIZAS AND FRUTALES	100	67	\$ 205	\$ 173	84.52%
38	103	ASOCIACIÓN AGROPECUARIA DEL HUILA	YUCCA AND CORN	30	96	\$ 34	\$ 0	0.00%
39	107	TOTALLY GREEN	AROMÁTICAS CULINARIAS AND HORTALIZAS	100	100	\$ 1,942	\$ 625	32.17%
40	108	ATUN	CACAO	200	200	\$ 196	\$ 0	0.00%
41	114	COMPAÑÍA AGROINDUSTRIAL YUQUERA SAN PABLO SUR DE BOLIVAR S.A.	YUCCA	230	85	\$ 196	\$ 24	12.00%
42	115	INCUAGRO	PALM	1,000	300	\$ 3,391	\$ 278	8.20%
43	116	CORDEAGRO PAZ	CACAO	200	67	\$ 1,029	\$ 228	22.12%
44	120	COOSERVES	Potatoe, curuba, blackberry, bean, corn, tomate de arbol, tomato, life stock, fish and lulo.	350	350	\$ 432	\$ 296	68.48%
45	122	CORPORACION COLOMBIA INTERNACIONAL	RUBBER	300	25	\$ 1,076	\$ 94	8.75%
46	128	FUNDACION CATATUMBO - FUNDESCAT	CACAO	1,700	340	\$ 6,314	\$ 1,224	19.38%
TOTAL:								
			46	94,027	25,823	\$ 114,423	\$ 15,149	13.24%

#	ORDER	COMPANY	PRODUCT	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %
NEW PROBABLE SIGNED AGREEMENT MODIFICATION (EXTENSION)								
1	12M	C.I. AGROFRUT S.A.	FRUIT PULP	510	765	\$ 1,225	\$ 186	15.15%
2	23M	CEA	PASSION FRUIT	1,000	548	\$ 3,011	\$ 301	10.00%
3	25M	CIA. DE EMPAQUES DE MEDELLÍN	FIQUE	200	334	\$ 605	\$ 81	13.47%
4	27M	EMPAQUES DEL CAUCA	FIQUE	300	200	\$ 207	\$ 31	15.17%
5	29M	HUGO RESTREPO Y CIA.	PEPPERS	150	1,650	\$ 878	\$ 88	10.00%
6	31M	C.I. TEQUENDAMA S.A.	PALM	1,500	150	\$ 4,399	\$ 278	6.33%
7	56M	GRADESA S.A.	PALM	500	50	\$ 1,670	\$ 186	11.11%
8	64M	CORDEAGROPAZ	PALM	2,000	286	\$ 5,610	\$ 561	10.00%
9	79M	ECO-BIO COLOMBIA LTDA.	CACAO	1,000	250	\$ 3,266	\$ 297	9.09%
TOTAL:				9	7,160	4,233	\$ 20,871	\$ 2,009 9.63%

Appendix 2

Projections of Departments and Municipalities Benefited

Department	Municipalities	# of Municipalities
Antioquia	Marinilla, Retiro, Santa Barbara, Sopetran, La Ceja, Rionegro, Retiro, Amalfi, Yolombó, Alejandria, San Rafael, Barbosa, Medellín, Montebello, Támesis, Gomez Plata, Girardot, Guarne, San Vicente, Concepcion, El Peñol, Urrao, Valdivia, Cáceres, Tarazá, Caucaasia, Zaragoza, El Bagre, Nechi, Arboletes, San Pedro de Urabá, San Juan de Urabá, Necoclí, Apartado, Turbo, Bajira and Maceo	37
Arauca	Arauquita, Saravena and Tame	3
Atlantico	Manatí and Palmar de Varela	2
Bolivar	San Pablo, Simití, Maria La Baja, Rio Viejo and Regidor	5
Caldas	Anserma, Belalcazar, Manizales, Neira, Rio Sucio, San José de Risaralda, Villamaria, Viterbo, Aguadas, Pácora, Salamina, Aranzazu, Palestina	13
Cauca	Cajibío, Caldono, Morales, Piendamó, Popayán, Santander de Quilichao, Silvia, Sotara, El Tambo, Totoro, Rosas, Caloto, Dominguito, Miranda, Padilla, Puerto Tejada and Villarica	17
Cesar	Becerril, Cadazzi, Copey, Curumani, La Paz, Pailitas, Pueblo Bello, Urumita, Valledupar, San Diego, La Gloria, Aguachica and San Alberto	13
Cordoba	La Apartada, Planeta Rica, Pueblo Nuevo, Los Cordoba, Sahagun, Ayapel, Montelibano, Valencia, Tierra Alta, Canalete, and Puerto Libertador	11
Cundinamarca	San Juan de Rioseco, Paratebueno, Anapoima, Cachipay, Chaguani, Guaduas, la Palma and Nimaíma	8
Guajira	Riohacha, Fonseca, El Molino, Jagua del Pilar, Villanueva, Maicao, San Juan del Cesar and Dibulla	8
Huila	Garzon, Gigante, Campoalegre, Palermo, Rivera, Hobo, Neiva, Rivera, Teruel, Isnos, Tarqui, La Plata and	13
Magdalena	Aracataca, Cienaga, Fundacion, Santa Marta, Zona Bananera, Riohacha, El Reten and Plato	8
Nariño	Pasto, la Unión, Chachagui, Imués, Guaitarilla, Providencia, Samaniego, Policarpa, La Florida, Sandomá, Consaca, San Bernardo, San José Albán, Tablón de Gómez, San Pablo, San Lorenzo, San Pedro de Cartago and Tumaco	18
Norte de Santander	Tibú, Sardinata and Zulia	3
Quindío	Armenia, Quimbaya and Montenegro	3
Risaralda	Belen de Umbria, Pereira, Santuario and Pueblo Rico	4
Santander	El Carmen, Landazuri, Rionegro, San Vicente de Chucuri, Puerto Wilches, Barranca, Carmen de Chucuri, Barrancabermeja, Sabana de Torrez and Bolivar	10
Sucre	Betulia, Corozal, Los Palmitos, Ovejas, San Onofre, Since, Sincelejo and Tolu Viejo	8
Tolima	Alvarado, Anzuategui, Armero/Guayabal, Ataco, Lérda, Mariquita, Ortega, Planada, Rio Blanco, Chaparral and Santa Isabel	11
Valle del Cauca	Andalucia, Caicedonia, Dagua, Jamundi, La Cumbre, La Union, La Victoria, Santander de Quilichao, Rio Frio, Roldanillo, San Pedro, Tuluá, Versalles, Vijes, Yotoco, Yumbo, Argelia, Cairo and Trujillo	19
TOTAL MUNICIPALITIES		214

Appendix 3

Overview of Projects Previously Passed Into Implementation

Patrimonios Autonomos Cotton - #041

This Project supports the ORGANIZACIONES DE PRODUCTORES (Producer Associations) to plant **4,989 new hectares** of cotton in northern Cesar, and southern Guajira, in the municipalities of Valledupar, Villanueva, Codazzi, Maicao, San Juan del Cesar, El Molino, La Jagua, San Diego and Becerril. It is benefiting **273 families**, and is generating 309,300 workdays.

The total cost and financing sources are Finagro \$2,887,000 (65.1%) in credit, the producers' own in-kind resources \$1,328,000 (30%), and CAPP \$218,000 (4.9%), for a total investment of \$4.4 million.

Management of the Project is being done through the 9 Producer Associations, each having an operator who offers technical assistance and provides administrative and logistic support. CAPP pays the operator's expenses. CAPP's support will also cover the expenses of production technical assistance, supervision and logistic support, a FAG Guarantee by Finagro, and forward sales contract and Fiduciary costs. Both Finagro and CAPP funding are channeled through patrimonios autonomos (trust accounts) administered by a fiduciary.

The total expected production is 3,659 tons of seed cotton, sold through forward contracts subscribed with Diagonal S.A., Colombia's main cotton buyer, and 5,367 tons of seed to be sold to the edible oils and animal feed concentrate industries. **Producer net income is anticipated to average \$5,000 per family.**

African Palm Projects – #031, #032, and #056

C.I. EL ROBLE S.A., C.I. TEQUENDAMA S.A., and GRADESA S.A. will develop, under strategic alliances with associations of small farmers, a total of **4,422 new hectares** of African Palm trees in the municipalities of Zona Bananera of the department of Santa Marta, El Retén and Aracataca in the Department of Magdalena, and the municipalities of El Copey and Chiriguaná in the Department of Cesar. Fundalianza, a non-profit foundation, will manage all three Projects. Twelve associations will participate with a total of **413 families**, and will use credit resources from Finagro via Banco Agrario.

The total value of the three Projects is \$8.1 million. Banco Agrario – Finagro will finance \$5.9 million, farmers will contribute \$1.4 million in labor, and CAPP will contribute \$788,000 for technical assistance to plant and manage the trees, as well as entrepreneurial training to growers provided by Fundalianza. Sale of the crop is guaranteed via long-term (25-year) contracts with palm oil processing plants.

As a part of these three Projects, 1,130 hectares of organic African Palm will be planted, with full technological, agricultural and marketing support provided by C.I. Tequendama, traditional exporters of organic products.

During the pre-production stage, each producer receives the equivalent of \$10.30 per month for each hectare planted, for his/her labor to maintain the trees, and is assisted technically and commercially in the development of short-term crops. This will allow them to have enough income to satisfy their family needs until the palm trees start producing. **Net income to farmers is estimated at \$4,138 per year** when the plantations are in full production.

Agrofrut - #012

C.I. AGROFRUT S.A. is located in Medellín, and processes and markets frozen fruit pulp. The company's annual sales are currently \$3.7 million, and their processing capacity is 3,000 tons. Due to an

increase in international orders, a new production facility needs to be built, and their raw fruit supply increased.

The new facility is being constructed in the Municipality of Estrella, near Medellín, and will have the capacity to process 10,000 tons of products per year. In order to reach this production level, new plantings of more than 1,180 hectares of fruits and vegetables need to be made. The crops being planted are passion fruit, “lulo”, blackberry, papaya, yucca (cassava), various vegetables, strawberry, “criolla” type potatoes, “black” type potato, and sour sop tree fruit (Guanábana). These increased plantings will be accomplished via strategic alliances with associations of small producers in 28 municipalities and 8 departments.

AGROFRUT will invest **\$1.3 million** in the new plant. CAPP will support the Project with **\$827,000** in technical assistance for the planting of the new crops, and to help design the new processing and packaging plant. Private banks will provide loans for constructing and equipping the new plant. AGROFRUT will support the expansion of agricultural production by cash advances against future sales, and providing producers with high quality raw materials at competitive prices via bulk buying.

During CAPP’s current term, **670 new hectares** will be planted and **1,005 new families** will benefit via an **average monthly income increase of \$165**, or 42% more than the minimum monthly salary in Colombia.

CEA - #023

Compania Envasadora del Atlantico Ltda. (CEA), of Barranquilla is the proponent of this Project. CEA has been in the food processing business for more than 20 years, and in the fruit pulp export business for the last 9 years.

The Project involves the planting of 1,483 hectares of passion fruit (a.k.a. “maracuya”), to be used by CEA for the production of juice concentrate. The planting will occur in 24 municipalities in the five departments of Cesar, Guajira, Cordoba, Sucre, and Magdalena, providing direct employment to 813 families. The Project also involves the expansion of CEA’s existing plant, in order to process the incremental fruit created by the Project.

CEA is acting as both the Project integrator and proponent, providing grower associations with forward contracts for all production from the Project. CEA will therefore provide an assured market for 100% of the Project’s agricultural output, secure a supply of fruit for their fruit pulp business, and expand their fruit pulp processing plant.

Ninety six percent of CEA’s production is exported, with shipments going primarily to the US, the EU and Asia. CEA has developed a strong position in the international fruit pulp market via the use of local, high quality mango. With this Project it is expanding into the passion fruit pulp business, based on requests from its international customers.

CEA has selected Fundacea, a CEA subsidiary, as the program operator. Fundacea has been the operator for all three of CEA’s agricultural production programs.

The program is financed by a number of entities, including the individual fruit growers (US\$2.1 million), Finagro (US\$1.0 million), CEA (US\$3.0 million), CAPP (US\$ 698,000), and other public and private entities (US\$69,000). Total investment Project investment is US\$6.9 million.

Eighty percent of the Finagro US\$1 Million loan to 14 producer associations is guaranteed by the Colombian government, and the remaining 20% is guaranteed by CEA.

Hugo Restrepo - #029

Restrepo contracts with small farmers to grow chili peppers, which it then processes into a paste for producers of Tabasco, and other chili-type sauces. The paste is sold to overseas customers in the US, Europe and the Middle East on long term (one year and greater) contracts. These customers then use the paste to make retail chili sauces.

Restrepo has decided to increase its sales by expanding production and creating retail products. To do so the company will invest in new production plant and equipment, and significantly broaden its base of contract farmers. Restrepo has asked CAPP to assist in this Project by supporting the cost of the new plant design and machinery layout, as well as technical assistance and training of both the workers in the new plant, and the new contract growers.

The Project will result in the employment of **1952 families**, plus **135 new hectares** of chili production. The high number of families employed is a function of the labor-intensity of chili pepper production. Total Project impact, including activities that will take place after CAPP's current term, will be greater than 3,000 families and 300 hectares.

CAPP is contributing **\$148,000** to the Project, Restrepo is investing \$267,000, and the growers will contribute an additional \$645,000 for a total Project cost of **\$1,060,000**.

Ecobio - #079

The objective of this program is to plant 2,000 hectares of organic cacao in the Sierra Nevada region, near the Colombian city of Santa Marta, in the Departments of Magdalena, Cesar and Guajira; plus the construction of a cacao processing plant in Santa Marta.

524 families will directly benefit via the participation of ten grower associations. The goal of the program is to organize and train the growers, via their associations, on how to profitably and sustainably manage their individual cocoa plantations, thereby creating an incentive for them not to become involved in the production of illicit crops.

The new plantings will be developed via a strategic alliance between Ecobio and the grower associations that will plant, through 2004, a total of 2,000 new hectares of organic cacao.

The total cost for the program, including CAPP participation, will be US\$7.9 million. Finagro will finance 41% of the project via a loan to growers with an interest rate of DTF + 2%. The total cost of the program includes an investment of US\$3.1 million for the construction of the cacao processing plant.

The growers will provide 10% of the total program cost in-kind, or \$800,000, by providing labor to both plant and maintain the individual farms. CAPP will provide the remaining 10%, or \$780,000.

Ecobio has signed a 12-year purchase contract with the grower associations for all the production produced by this Project. A contract of this type is mandatory for Finagro to finance the Project. To process all production from the 2,000 hectares, Ecobio will build a plant in Santa Marta to produce cocoa powder, cocoa butter and cocoa liquor.

Cooproagrosur #050

The growers' cooperative Cooproagrosur is the proponent of this Project. Cooproagrosur's goal is to eradicate illicit crops and reduce unemployment in the area by helping to provide viable alternatives to growers. In total 100 families are members of Cooproagrosur. The objective of this Project is to plant 400 hectares of African palm in the municipality of Simití, Department of Bolivar. One hundred families will directly benefit via their participation in Cooproagrosur. The Project approach is to organize and train the

growers, via their cooperative, on how to profitably and sustainably manage their collective palm plantations, thereby creating incentives for them to either desist from growing, or not become involved in the production of illicit crops.

Total Project investment for the 400 hectares, including CAPP's participation, will be \$848,972. FINAGRO will finance 67% of this amount via a loan. CAPP's commitment will be to provide US\$63,519 – or 7% of the Project cost - to pay agricultural and administrative technical assistance, FAG costs, loan approval coordination, and fiduciary services. CAPP's support will be provided via a PO to the Cooprogrosur. Palmeras de Puerto Wilches, a palm-fruit processing company located near the cooperative's plantation, has provided a letter of intent to purchase 12-year's worth of annual production, at prevailing market prices. A contract of this type is mandatory for the Finagro FAG, to ensure that the Project has an assured market for its produce.

Cordeagropaz #064

Cordeagropaz is the proponent of this Project and currently works as an operator with seven African palm grower associations in the region of Tumaco. The objective of the Project is to plant 3,053 hectares African palm trees in the municipality Tumaco, department of Nariño. Four hundred thirty six families will directly benefit. The Project approach is to organize and train the growers, via their associations, how to profitably and sustainably manage their individual palm plantations, thereby creating incentives for them either to desist from growing or not to become involved in the production of illicit crops.

The growers will provide 19% of the \$6.7 million total Project cost “in kind” by providing labor to plant and maintain their individual farms. CAPP will provide funding for the remaining 9% of total Project cost. CAPP's commitment will be to provide US \$857,000, or 13% of Project cost via a standard contract. The palm fruit processing plants involved in the Project have signed a 12-year purchase contract with the grower associations for all of the production produced in this Project. A contract of this type is mandatory for Finagro to guarantee the commercial bank financing of the Project.